

NEW ISSUE

In the opinion of Bond Counsel, interest on the Adjustable Rate Bonds will be exempt from personal income taxes imposed by the State of New York (the "State") or any political subdivision thereof, including The City of New York (the "City"), and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Adjustable Rate Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. See "SECTION III: TAX MATTERS" herein for further information.



\$350,000,000 **New York City Transitional Finance Authority** **Future Tax Secured Bonds Fiscal 2013 Series A**

\$50,000,000 Subseries A-4
Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

\$50,000,000 Subseries A-5
Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

\$100,000,000 Subseries A-6
Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

\$150,000,000 Subseries A-7
Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

Date of Delivery

Due: August 1, 2039

The Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-4 (the "Subseries A-4 Bonds"), the Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-5 (the "Subseries A-5 Bonds"), the Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-6 (the "Subseries A-6 Bonds"), and the Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-7 (the "Subseries A-7 Bonds") and, together with the Subseries A-4 Bonds, the Subseries A-5 Bonds and the Subseries A-6 Bonds, the "Adjustable Rate Bonds" are being issued by the New York City Transitional Finance Authority (the "Authority") pursuant to the New York City Transitional Finance Authority Act, as amended (the "Act"), and the Amended and Restated Original Indenture, as restated December 1, 2010, as supplemented (the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York as Trustee (the "Trustee"). The Subseries A-4 Bonds, the Subseries A-5 Bonds and the Subseries A-6 Bonds will bear interest initially in the Daily Rate Mode. The first Daily Rate Period will commence on Tuesday, August 28, 2012. The Subseries A-7 Bonds will bear interest at an Initial Rate for an Initial Rate Period commencing on Tuesday, August 28, 2012 until Wednesday, September 5, 2012 and thereafter at a Weekly Rate commencing on Thursday, September 6, 2012.

In addition to the Adjustable Rate Bonds, the Authority expects to issue \$100,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Subseries A-1 (the "Subseries A-1 Bonds"), \$150,000,000 Future Tax Secured Taxable Subordinate Bonds (Qualified School Construction Bonds), Fiscal 2013 Subseries A-2 (the "Subseries A-2 Bonds"), and \$200,000,000 Future Tax Secured Taxable Subordinate Bonds, Fiscal 2013 Subseries A-3 (the "Subseries A-3 Bonds") and, together with the Subseries A-1 Bonds and the Subseries A-2 Bonds, the "Series 2013 A Fixed Rate Bonds". The Series 2013 A Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the "Series 2013 A Bonds." In addition to the Series 2013 A Bonds, the Authority expects to issue its \$950,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Series B (the "Refunding Bonds") and, together with the Series 2013 A Fixed Rate Bonds, the "Fixed Rate Bonds". The Fixed Rate Bonds are offered pursuant to a separate offering circular. The Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the "Series 2013 Bonds."

The Adjustable Rate Bonds will be issued as Parity Debt (defined herein). Interest on and principal of the Adjustable Rate Bonds are payable from Tax Revenues of the Authority subordinate to Senior Debt Service and operating expenses of the Authority and on a parity with the Authority's Recovery Obligations and Subordinate Bonds issued on a parity with the Authority's Recovery Obligations. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS" under "SECTION I: INCLUSION BY SPECIFIC REFERENCE." Provided the statutory and contractual conditions are met, other Series of Bonds senior to or on a parity with the Adjustable Rate Bonds may be issued. See "SECTION V: THE AUTHORITY OTHER AUTHORITY OBLIGATIONS" under "SECTION I: INCLUSION BY SPECIFIC REFERENCE."

Pursuant to the Act, the Adjustable Rate Bonds are payable from the Tax Revenues of the Authority derived from collections of personal income taxes and of sales and compensating use taxes imposed by the City. Such taxes are imposed pursuant to statutes enacted by the State. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS" under "SECTION I: INCLUSION BY SPECIFIC REFERENCE."

The Adjustable Rate Bonds will be issued only as fully registered bonds, registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"). Purchasers will not receive physical delivery of the Adjustable Rate Bonds. Principal, redemption price and interest on the Adjustable Rate Bonds will be payable to DTC by the Trustee. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursements to the purchasers of the Adjustable Rate Bonds are the responsibility of the DTC Participants.

Purchases of the Adjustable Rate Bonds will be made in book-entry form in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. Interest terms of the Adjustable Rate Bonds, including Interest Rate Modes and Interest Payment Dates, are described herein.

The Adjustable Rate Bonds are subject to redemption prior to maturity as described herein.

The Adjustable Rate Bonds are subject to optional and mandatory tender under the circumstances described herein. Payment of the Purchase Price of the Subseries A-4 Bonds tendered for purchase as described herein and not remarketed will be made pursuant and subject to the terms of the Standby Bond Purchase Agreement, dated as of August 1, 2012 (the "Northern Trust Liquidity Facility"), described herein, between the Authority and The Northern Trust Company ("Northern Trust"), the Liquidity Provider for the Subseries A-4 Bonds. The Northern Trust Liquidity Facility is scheduled to terminate on August 28, 2015. Payment of the Purchase Price of the Subseries A-5 Bonds tendered for purchase as described herein and not remarketed will be made pursuant and subject to the terms of the Standby Bond Purchase Agreement, dated as of August 1, 2012 (the "U.S. Bank Liquidity Facility"), described herein, between the Authority and U.S. Bank National Association ("U.S. Bank"), the Liquidity Provider for the Subseries A-5 Bonds. The U.S. Bank Liquidity Facility is scheduled to terminate on August 28, 2015. Payment of the Purchase Price of the Subseries A-6 Bonds tendered for purchase as described herein and not remarketed will be made by California State Teachers' Retirement System ("CalSTRS"), the Liquidity Provider for the Subseries A-6 Bonds, and payment of the Purchase Price of the Subseries A-7 Bonds tendered for purchase as described herein and not remarketed will be made by State Street Bank and Trust Company ("State Street"), the Liquidity Provider for the Subseries A-7 Bonds, in both cases pursuant and subject to the terms of the Standby Bond Purchase Agreement, dated as of August 1, 2012 (the "State Street/CalSTRS Liquidity Facility"), described herein, among the Authority, CalSTRS and State Street. The State Street/CalSTRS Liquidity Facility is scheduled to terminate on August 28, 2015. See "SECTION II: THE ADJUSTABLE RATE BONDS—Liquidity Providers."

THE ADJUSTABLE RATE BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A SUBORDINATE LIEN ON TAX REVENUES OF THE AUTHORITY AND CERTAIN ACCOUNTS HELD BY THE TRUSTEE. THE ADJUSTABLE RATE BONDS ARE NOT A DEBT OF EITHER THE STATE OR THE CITY, AND NEITHER THE STATE NOR THE CITY SHALL BE LIABLE THEREON, NOR SHALL THE ADJUSTABLE RATE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN TAX REVENUES OF THE AUTHORITY AND CERTAIN ACCOUNTS HELD BY THE TRUSTEE.

The Adjustable Rate Bonds are being offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters. The issuance of the Adjustable Rate Bonds is subject to the approval of legality of the Adjustable Rate Bonds and certain other matters by Sidley Austin LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the New York City Corporation Counsel. Certain legal matters will be passed upon for the Underwriters by its counsel, Winston & Strawn LLP, New York, New York. It is expected that the Adjustable Rate Bonds will be available for delivery to DTC in New York, New York, on or about August 28, 2012.

Fiscal 2013 Subseries A-4
TD Securities (USA) LLC

Fiscal 2013 Subseries A-5
U.S. Bancorp

Fiscal 2013 Subseries A-6
U.S. Bancorp

Fiscal 2013 Subseries A-7
U.S. Bancorp

August 17, 2012

\$350,000,000
New York City Transitional Finance Authority
Future Tax Secured Bonds Fiscal 2013 Series A

\$50,000,000
Subseries A-4 Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

Maturity Date: August 1, 2039
Rate Mode at Delivery Date: Daily
First Interest Payment Date: October 1, 2012
Facility Provider: The Northern Trust Company
Remarketing Agent: TD Securities (USA) LLC
CUSIP Number⁽¹⁾: 64971QZA4

\$50,000,000
Subseries A-5 Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

Maturity Date: August 1, 2039
Rate Mode at Delivery Date: Daily
First Interest Payment Date: October 1, 2012
Facility Provider: U.S. Bank National Association
Remarketing Agent: U.S. Bank Municipal
Securities Group, a division of U.S. Bank
National Association and U.S. Bancorp
Investments, Inc.
CUSIP Number⁽¹⁾: 64971QYG2

\$100,000,000
Subseries A-6 Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

Maturity Date: August 1, 2039
Rate Mode at Delivery Date: Daily
First Interest Payment Date: October 1, 2012
Facility Provider: California State Teachers'
Retirement System
Remarketing Agent: U.S. Bank Municipal
Securities Group, a division of U.S. Bank National
Association and U.S. Bancorp Investments, Inc.
CUSIP Number⁽¹⁾: 64971QYH0

\$150,000,000
Subseries A-7 Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

Maturity Date: August 1, 2039
Rate Mode at Delivery Date: Initial Rate through
September 5, 2012 and thereafter Weekly
First Interest Payment Date: October 1, 2012
Facility Provider: State Street Bank and Trust
Company
Remarketing Agent: U.S. Bank Municipal
Securities Group, a division of U.S. Bank National
Association and U.S. Bancorp Investments, Inc.
CUSIP Number⁽¹⁾: 64971QYJ6

⁽¹⁾ Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGrawHill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Adjustable Rate Bonds and neither the Authority nor the Remarketing Agents makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Adjustable Rate Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Adjustable Rate Bonds.

**RATE PERIOD TABLE
FOR THE ADJUSTABLE RATE BONDS¹**

	DAILY RATE	TWO-DAY RATE	WEEKLY RATE
Interest Payment Date	First Business Day of each calendar month	First Business Day of each calendar month	First Business Day of each calendar month
Record Date	Business Day preceding each Interest Payment Date	Business Day preceding each Interest Payment Date	Business Day preceding each Interest Payment Date
Reset Date	Not later than 10:00 a.m. on each Business Day	Not later than 10:00 a.m. on the first day of the Rate Period and, thereafter, on each Monday, Wednesday and Friday that is a Business Day	Not later than 10:00 a.m. the first day of the Rate Period
Rate Periods	Commencing on one Business Day extending to, but not including, the next succeeding Business Day	Commencing on a Monday, Wednesday or Friday that is a Business Day and extending to, but not including, the next day on which a Two-Day Rate is required to be reset	The Rate Period will be a period of seven days beginning on Thursday or another day of the week specified therefor by the Authority
Optional Tender Date and Time	On any Business Day not later than 1:00 p.m.	On any Business Day not later than 1:00 p.m.	On any Business Day not later than 1:00 p.m.
Notice Period for Optional Tenders	Written notice not later than 10:30 a.m. on the Optional Tender Date	Written notice by 3:00 p.m. not less than two Business Days prior to the Optional Tender Date	Written notice by 5:00 p.m. not less than seven days prior to the Optional Tender Date
Payment Date for Bonds subject to Optional Tender	Not later than 3:00 p.m. on the Optional Tender Date	Not later than 3:00 p.m. on the Optional Tender Date	Not later than 3:00 p.m. on the Optional Tender Date
Payment Date for Tendered Bonds upon Mandatory Tender	Not later than 3:00 p.m. on the Mandatory Tender Date	Not later than 3:00 p.m. on the Mandatory Tender Date	Not later than 3:00 p.m. on the Mandatory Tender Date

Note: All time references given above refer to New York City time.

The information in this Rate Period Table is provided for the convenience of the Bondholders and is not meant to be comprehensive. See “SECTION II: THE ADJUSTABLE RATE BONDS” and “APPENDIX B—ADJUSTABLE RATE BONDS” for a description of the Adjustable Rate Bonds.

⁽¹⁾ The Subseries A-4 Bonds, the Subseries A-5 Bonds and the Subseries A-6 Bonds will bear interest initially in the Daily Rate Mode. The Subseries A-7 Bonds will bear interest initially at an Initial Rate for the Initial Rate Period commencing on Tuesday, August 28, 2012 until Wednesday, September 5, 2012 and thereafter at a Weekly Rate commencing on Thursday, September 6, 2012.

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WHILE THE ADJUSTABLE RATE BONDS MAY IN THE FUTURE BE CONVERTED TO INDEX RATE BONDS, AUCTION RATE BONDS, TERM RATE BONDS, FIXED RATE BONDS, STEPPED COUPON BONDS OR BONDS BEARING INTEREST AT A COMMERCIAL PAPER RATE, THIS OFFERING CIRCULAR DOES NOT DESCRIBE TERMS SPECIFICALLY APPLICABLE TO BONDS BEARING INTEREST AT RATES OTHER THAN THE DAILY RATE, TWO-DAY RATE OR WEEKLY RATE, NOR DOES IT DESCRIBE ADJUSTABLE RATE BONDS HELD BY THE LIQUIDITY PROVIDERS OR BY ANY REGISTERED OWNER OTHER THAN DTC.

Certain information in this Offering Circular has been provided by the City, the Liquidity Providers 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. 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 Adjustable Rate Bonds, 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 Adjustable Rate Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriters have reviewed the information in this Offering Circular in accordance with their responsibilities to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guaranty the accuracy or completeness of such information.

The information in Appendices C, D, E and F have been provided by Northern Trust, U.S. Bank, CalSTRS and State Street, respectively, and such appendices have not been independently confirmed or verified by the Authority or the Underwriters. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material changes in such information subsequent to the date hereof.

This Offering Circular includes forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the City and the amount of 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 ADJUSTABLE RATE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY BODY. 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.

MARKS PANETH & SHRON LLP, THE AUTHORITY’S INDEPENDENT AUDITOR, HAS NOT REVIEWED, COMMENTED ON OR APPROVED, AND IS NOT ASSOCIATED WITH, THIS OFFERING

CIRCULAR. THE REPORT OF MARKS PANETH & SHRON LLP RELATING TO THE AUTHORITY'S FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010, WHICH IS A MATTER OF PUBLIC RECORD, IS INCLUDED BY SPECIFIC REFERENCE IN THIS OFFERING CIRCULAR. HOWEVER, MARKS PANETH & SHRON LLP HAS NOT PERFORMED ANY PROCEDURES ON ANY FINANCIAL STATEMENTS OR OTHER FINANCIAL INFORMATION OF THE AUTHORITY, INCLUDING WITHOUT LIMITATION ANY OF THE INFORMATION INCLUDED BY SPECIFIC REFERENCE IN THIS OFFERING CIRCULAR, SINCE THE DATE OF SUCH REPORT AND HAS NOT BEEN ASKED TO CONSENT TO THE INCORPORATION BY SPECIFIC REFERENCE OF ITS REPORT IN THIS OFFERING CIRCULAR.

**OFFERING CIRCULAR
OF
NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

INTRODUCTORY STATEMENT

This Offering Circular of the New York City Transitional Finance Authority (the “Authority”) sets forth information concerning the Authority in connection with the sale of the Authority’s \$50,000,000 aggregate principal amount of Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-4 (the “Subseries A-4 Bonds”), \$50,000,000 aggregate principal amount of Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-5 (the “Subseries A-5 Bonds”), \$100,000,000 aggregate principal amount of Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-6 (the “Subseries A-6 Bonds”), and \$150,000,000 aggregate principal amount of Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-7 (the “Subseries A-7 Bonds” and, together with the Subseries A-4 Bonds, the Subseries A-5 Bonds and the Subseries A-6 Bonds, the “Adjustable Rate Bonds”). In addition to the Adjustable Rate Bonds, the Authority expects to issue its \$100,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Subseries A-1 (the “Subseries A-1 Bonds”), \$150,000,000 Future Tax Secured Taxable Subordinate Bonds (Qualified School Construction Bonds), Fiscal 2013 Subseries A-2 (the “Subseries A-2 Bonds”), and \$200,000,000 Future Tax Secured Taxable Subordinate Bonds, Fiscal 2013 Subseries A-3 (the “Subseries A-3 Bonds” and, together with the Subseries A-1 Bonds and the Subseries A-2 Bonds, the “Series 2013 A Fixed Rate Bonds”). The Series 2013 A Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the “Series 2013 A Bonds.” In addition to the Series 2013 A Bonds, the Authority expects to issue its \$950,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Series B (the “Refunding Bonds” and, together with the Series 2013 A Fixed Rate Bonds, the “Fixed Rate Bonds”). The Fixed Rate Bonds are offered pursuant to a separate offering circular. The Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the “Series 2013 Bonds”. Portions of the Authority’s Offering Circular, dated August 9, 2012, relating to the Fixed Rate Bonds (the “Fixed Rate Offering Circular”) are included herein by specific reference. See “SECTION I: INCLUSION BY SPECIFIC REFERENCE.”

The Authority is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the “State”) created by the New York City Transitional Finance Authority Act (the “Act”). The Adjustable Rate Bonds are being issued pursuant to the Act and the Amended and Restated Original Indenture, as restated December 1, 2010, as supplemented (the “Indenture”), by and between the Authority and The Bank of New York Mellon, New York, New York, as Trustee (the “Trustee”). The Authority and the City of New York (the “City”) entered into a Financing Agreement (the “Agreement”), dated October 1, 1997, as amended, supplemented and in effect from time to time, which provides for the application of the Authority’s Bond proceeds to fund capital expenditures of the City and Recovery Costs (as defined in the Indenture) and includes various covenants of the City. A summary of certain provisions of the Indenture and the Agreement, including certain defined terms used therein and in this Offering Circular, is contained in “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT” under “SECTION I: INCLUSION BY SPECIFIC REFERENCE.”

The Adjustable Rate Bonds are payable from Tax Revenues of the Authority which are derived from Personal Income Tax Revenues and Sales Tax Revenues (each as defined herein) subordinate to Senior Debt Service and operating expenses of the Authority and on a parity with the Authority’s Recovery Obligations and Subordinate Bonds issued on a parity with the Authority’s Recovery Obligations. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS” under “SECTION I: INCLUSION BY SPECIFIC REFERENCE.”

The factors affecting the Authority and the Adjustable Rate Bonds described throughout this Offering Circular are complex and are not intended to be summarized in this Introductory Statement. This Offering Circular, including the information referred to in “SECTION I: INCLUSION BY SPECIFIC REFERENCE,” should be read in its entirety.

SECTION I: INCLUSION BY SPECIFIC REFERENCE

Portions of the Authority's Fixed Rate Offering Circular delivered herewith relating to the Fixed Rate Bonds, subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

SECTION I:	INTRODUCTION
SECTION II:	SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS
SECTION III:	ECONOMIC AND DEMOGRAPHIC INFORMATION
SECTION V:	THE AUTHORITY
SECTION VI:	LITIGATION
SECTION IX:	APPROVAL OF LEGALITY
SECTION X:	FINANCIAL ADVISORS
SECTION XI:	FINANCIAL STATEMENTS
SECTION XII:	CONTINUING DISCLOSURE UNDERTAKING
SECTION XV:	LEGAL INVESTMENT
APPENDIX A:	SUMMARY OF INDENTURE AND AGREEMENT
APPENDIX B:	FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
APPENDIX C:	VARIABLE RATE BONDS

The Fixed Rate Bonds described in the Fixed Rate Offering Circular are not being offered by this Offering Circular. In addition, all references to the Fixed Rate Bonds in the foregoing captions of the Fixed Rate Offering Circular shall include the Adjustable Rate Bonds.

SECTION II: THE ADJUSTABLE RATE BONDS

General

The Adjustable Rate Bonds bearing a Daily Rate, a Two-Day Rate or a Weekly Rate shall be fully registered Bonds in the denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof (“Authorized Denominations”). The Adjustable Rate Bonds shall bear interest from their date of issuance as described on the inside cover page hereof and as described in “APPENDIX B—ADJUSTABLE RATE BONDS.” The rate of interest for any Rate Period shall be determined as provided in the Indenture and each determination of rate or period shall be conclusive and binding upon the Authority, the Trustee and the Bondholders. The Subseries A-4 Bonds, the Subseries A-5 Bonds and the Subseries A-6 Bonds will bear interest initially in the Daily Rate Mode. The first Daily Rate Period will commence on Tuesday, August 28, 2012. The Subseries A-7 Bonds will bear interest at an Initial Rate for an Initial Rate Period commencing on Tuesday, August 28, 2012 until Wednesday, September 5, 2012 and thereafter at a Weekly Rate commencing on Thursday, September 6, 2012. Terms used in this Offering Circular and not defined herein are defined in “APPENDIX A—DEFINITIONS.”

Payment of the Purchase Price of the Subseries A-4 Bonds tendered for purchase as described herein and not remarketed will be made pursuant and subject to the terms of the Standby Bond Purchase Agreement, dated as of August 1, 2012 (the “Northern Trust Liquidity Facility”), described herein, between the Authority and The Northern Trust Company (“Northern Trust”), the Liquidity Provider for the Subseries A-4 Bonds. The Northern Trust Liquidity Facility is scheduled to terminate on August 28, 2015. Payment of the Purchase Price of the Subseries A-5 Bonds tendered for purchase as described herein and not remarketed will be made pursuant and subject to the terms of the Standby Bond Purchase Agreement, dated as of August 1, 2012 (the “U.S. Bank Liquidity Facility”), described herein, between the Authority and U.S. Bank National Association (“U.S. Bank”), the Liquidity Provider for the Subseries A-5 Bonds. The U.S. Bank Liquidity Facility is scheduled to terminate on August 28, 2015. Payment of the Purchase Price of the Subseries A-6 Bonds tendered for purchase as described herein and not remarketed will be made by California State Teachers’ Retirement System (“CalSTRS”), the Liquidity Provider for the Subseries A-6 Bonds, and payment of the Purchase Price of the Subseries A-7 Bonds tendered for purchase as described herein and not remarketed will be made by State Street Bank and Trust Company (“State Street”), the Liquidity Provider for the Subseries A-7 Bonds, in both cases pursuant and subject to the terms of the Standby Bond Purchase Agreement, dated as of August 1, 2012 (the “State Street/CalSTRS Liquidity Facility”), described herein, among the Authority, CalSTRS and State Street. The State Street/CalSTRS Liquidity Facility is scheduled to terminate on August 28, 2015. See “SECTION II: THE ADJUSTABLE RATE BONDS—Liquidity Providers.”

The Subseries A-4 Bonds, the Subseries A-5 Bonds and the Subseries A-6 Bonds may be converted from a Daily Rate Mode to bear interest at a Two-Day Rate or a Weekly Rate. The Subseries A-7 Bonds may be converted from a Weekly Rate Mode to bear interest at a Daily Rate or a Two-Day Rate. For a summary of the terms of the Adjustable Rate Bonds, including optional and mandatory tender provisions, see the inside cover page, “APPENDIX A—DEFINITIONS” and “APPENDIX B—ADJUSTABLE RATE BONDS.” The Adjustable Rate Bonds may be converted to or from the Daily Rate Mode, Two-Day Rate Mode or Weekly Rate Mode as described in “APPENDIX B—ADJUSTABLE RATE BONDS—Conversion.” Any such conversion would result in a mandatory tender of the Bonds being so converted. The Adjustable Rate Bonds may also be converted to bear interest at a Term Rate, Fixed Rate, Commercial Paper Rate, Stepped Coupon Rate or Auction Rate. This Offering Circular only describes the Adjustable Rate Bonds bearing interest at a Daily Rate, a Two-Day Rate or a Weekly Rate. It is currently anticipated that, should any Adjustable Rate Bonds be converted to a Term Rate, Fixed Rate, Commercial Paper Rate, Stepped Coupon Rate or Auction Rate, a remarketing circular will be distributed describing, among other things, such Term Rate, Fixed Rate, Commercial Paper Rate, Stepped Coupon Rate or Auction Rate.

Northern Trust Liquidity Facility

General. The following summary of the Northern Trust Liquidity Facility does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Northern Trust Liquidity Facility to which reference is made hereby. Investors should obtain and review a copy of the Northern Trust Liquidity Facility in order to understand all of the terms of that document.

The Northern Trust Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined in this Offering Circular, the Northern Trust Liquidity Facility, the Indenture or the Series Resolution, and reference thereto is made for full understanding of their import.

Upon compliance with the terms and conditions of the Northern Trust Liquidity Facility, and subject to the terms and conditions set forth therein, Northern Trust is obligated to provide funds for the purchase, during the Purchase Period (as defined in the Northern Trust Liquidity Facility), of Subseries A-4 Bonds tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof, in each case, to the extent such applicable Subseries A-4 Bonds are not remarketed by the Remarketing Agent. Under the Northern Trust Liquidity Facility, Northern Trust is initially obligated to make available an amount equal to the then outstanding aggregate principal amount of the Subseries A-4 Bonds plus 35 days' interest thereon at the rate of 9% per annum (together, the "Available Commitment"). To the extent that the Bank advances funds under the Northern Trust Liquidity Facility to purchase Subseries A-4 Bonds, the Available Commitment will be reduced by the principal amount of and accrued interest on the Subseries A-4 Bonds so purchased, subject to reinstatement upon remarketing of such purchased Subseries A-4 Bonds in accordance with the provisions of the Northern Trust Liquidity Facility. The Northern Trust Liquidity Facility will expire on August 28, 2015, unless extended or terminated pursuant to its terms.

Under the terms of the Northern Trust Liquidity Facility, the Authority is obligated to reimburse Northern Trust for any amounts paid by Northern Trust in accordance with the terms of the Northern Trust Liquidity Facility, and to pay to Northern Trust any fees and other obligations due and owing to Northern Trust under the Northern Trust Liquidity Facility and the Fee Agreement (as defined in the Northern Trust Liquidity Facility).

Under certain circumstances described below, the obligation of Northern Trust to purchase the Subseries A-4 Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be automatically and immediately suspended or terminated without notice to the bondholders. In such event, sufficient funds may not be available to purchase Subseries A-4 Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the Northern Trust Liquidity Facility does not provide support or security for the payment of principal of, premium, if any, or interest on the Subseries A-4 Bonds.

Purchase of Tendered Bonds by Northern Trust. Northern Trust will, on the terms and subject to the conditions contained in the Northern Trust Liquidity Facility, purchase at the Purchase Price (as defined in the Northern Trust Liquidity Facility), Subseries A-4 Bonds bearing interest at a Daily Rate, a Two-Day Rate or a Weekly Rate that are properly tendered in accordance with the provisions of the Subseries A-4 Bonds, the Indenture and the Series Resolution and that are not remarketed from time to time during the Purchase Period pursuant to the Indenture.

The aggregate principal amount of Subseries A-4 Bonds purchased by Northern Trust on any Purchase Date will not exceed the Available Principal Commitment on such date, and the aggregate amount of the Purchase Price comprising interest on Subseries A-4 Bonds purchased by Northern Trust on any Purchase Date shall not exceed the lesser of (1) the Available Interest Commitment (as defined in the Northern Trust Liquidity Facility) and (2) the actual amount of interest accrued and unpaid on such Subseries A-4 Bonds to but excluding such date. To the extent the Purchase Date shall coincide with an Interest Payment Date, Northern Trust is not required to make a payment with respect to the accrued interest on such date.

Events of Default. The following events, among others, constitute Events of Default under the Northern Trust Liquidity Facility. Reference is made to the Northern Trust Liquidity Facility for a complete listing of all Events of Default.

(a) The Authority shall fail to pay when due (i) any fees provided for in the Fee Agreement (as defined in the Northern Trust Liquidity Facility) and such failure shall continue for the later of (x) seven days from the date when due, or (y) five days after Northern Trust provides to the Authority an invoice with respect to such fees; provided that with respect to Facility Fees (as defined in the Northern Trust Liquidity Facility), if the Authority

disputes in good faith the calculation of any portion of such Facility Fees within five days of delivery by Northern Trust to the Authority of an invoice with respect thereto, nonpayment of such disputed portion of the Facility Fees will not constitute an Event of Default until five days after Northern Trust responds to the Authority with evidence that such disputed amount was calculated correctly or with a correct calculation of such fees, or (ii) any other amount payable under the Northern Trust Liquidity Facility and such failure shall continue for seven days;

(b) The Authority shall fail to observe certain covenants contained in the Northern Trust Liquidity Facility;

(c) The Authority shall fail to observe or perform any covenant or agreement contained in the Northern Trust Liquidity Facility or the Fee Agreement (other than those covered by clauses (a) or (b) above, but including those incorporated in any section thereof by reference) for 20 days after written notice thereof has been given to the Authority by Northern Trust;

(d) Any representation, warranty, certification or statement made by the Authority (or incorporated in any section thereof by reference) in the Northern Trust Liquidity Facility or any Related Document (as defined in the Northern Trust Liquidity Facility) or in any certificate, financial statement or other document delivered pursuant to the Northern Trust Liquidity Facility or any Related Document shall prove to have been incorrect in any material respect when made or deemed to have been made;

(e) An “event of default” under the Indenture or the Series Resolution shall occur;

(f) (i) The Authority shall fail to make any principal or interest payment when due on the Subseries A-4 Bonds or Purchased Bonds (as defined in the Northern Trust Liquidity Facility) or on any indebtedness evidenced by a bond, note or similar instrument of the Authority that is senior to or on a parity with the Subseries A-4 Bonds (regardless of any waiver thereof by the holders of the Subseries A-4 Bonds or such indebtedness), (ii) any default by the Authority shall occur and be continuing in the payment of principal of or interest on any bond, note or other evidence of indebtedness issued, assumed or guaranteed by the Authority that is senior to or on a parity with the Authority’s obligation to pay principal of and interest on Subseries A-4 Bonds, or (iii) pursuant to the provisions of any resolution, indenture, contract or other instrument, the maturity of any bond, note or other similar evidence of indebtedness issued or assumed by the Authority (including amounts drawn under a letter of credit, line of credit or other credit or liquidity facilities relating thereto but excluding fees under letters of credit, lines of credit or other credit and liquidity facilities) that is secured by or payable from the Revenues or the Tax Revenues on a basis that is senior to or on a parity with Subseries A-4 Bonds and Purchased Bonds, as the result of the occurrence of any default with respect to the payment of any principal or interest thereunder, shall be accelerated or required to be paid prior to the stated maturity thereof; provided, however, that a failure to pay any such guarantee as a result of any set-off, recoupment, counterclaim or any other defense by the Authority shall not constitute a default under the Northern Trust Liquidity Facility;

(g) (i) the Authority, the State or any other governmental authority having jurisdiction over the Authority imposes a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable of the principal of or interest on the Subseries A-4 Bonds or any debt obligations of the Authority that are senior to or on a parity with the Subseries A-4 Bonds or (ii) the Authority (A) applies for or consents to the appointment of, or there shall have occurred the taking or possession by, a receiver, custodian, trustee, liquidator or sequestrator (or other similar official) of itself or of all or substantially all of its property or assets, (B) admits in writing its inability, or is unable, to pay its debts as they become due or shall become insolvent within the meaning of Section 101(32) of the Bankruptcy Code, (C) makes a general assignment for the benefit of creditors, (D) files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, winding-up or composition or adjustment of debts or (E) takes any action for the purpose of effecting any of the acts set forth in clauses (A) through (D) above;

(h) An involuntary case or other proceeding shall be commenced against the Authority seeking liquidation, reorganization or other similar relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect relating to bankruptcy, insolvency, reorganization, winding up or

composition or adjustment of debts or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or substantially all of its property or assets, and such involuntary case shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Authority under the federal bankruptcy laws as now or hereafter in effect;

(i) (i) A final, nonappealable judgment shall be issued by a court of competent jurisdiction that the Subseries A-4 Bonds (including Purchased Bonds) or any provision of the Northern Trust Liquidity Facility, the Indenture or the Series Resolution relating to (A) the payment of principal or interest on the Subseries A-4 Bonds (including Purchased Bonds) or (B) the pledge of the Revenues or the Tax Revenues of the Authority supporting the Subseries A-4 Bonds and Purchased Bonds shall cease for any reason to be valid and binding, or (ii) the Authority shall initiate legal proceedings or assert in legal proceedings or otherwise repudiate or publicly contest, acting through an official of the Authority having authority to do so, that any debt obligations of the Authority that are senior to or on a parity with the Subseries A-4 Bonds or the Subseries A-4 Bonds (including Purchased Bonds) or any provision of the Northern Trust Liquidity Facility, the Indenture or the Series Resolution relating to (A) the payment of principal or interest on any of the Subseries A-4 Bonds (including Purchased Bonds) or (B) the pledge of the Revenues or the Tax Revenues supporting the Subseries A-4 Bonds and Purchased Bonds is invalid or that the Authority has no liability thereon or (iii) any material provision of the Northern Trust Liquidity Facility, the Indenture, the Series Resolution, the Fee Agreement, the Subseries A-4 Bonds or the Purchased Bonds, other than a provision described in clause (i) of this paragraph (i), shall at any time for any reason cease to be valid and binding on the Authority as a result of a ruling, finding, decree, order, legislative act or similar action by a governmental authority having jurisdiction over the Authority, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the Authority to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Authority, acting through an official of the Authority having the authority to do so;

(j) A final, nonappealable money judgment shall be entered by a court or other regulatory body of competent jurisdiction against the Authority in an amount in excess of \$10,000,000 and the Authority shall have failed to satisfy said money judgment within 90 days from the first date when said judgment shall have become final, nonappealable and enforceable and subject to collection in accordance with its terms; or

(k) The ratings assigned by Moody's, S&P and Fitch to the Subseries A-4 Bonds are withdrawn (as a result of a credit-related event) or reduced below "Baa3," "BBB-" and "BBB-," respectively.

Notwithstanding the foregoing, a payment default by the Authority under clause (a) above, shall not constitute an Event of Default if (x) the default was caused solely by an error or omission of an administrative or operational nature; (y) funds were available to enable the Authority to make the payment when due; and (z) the payment is made within two Business Days of the Authority's receipt of written notice of its failure to pay.

Remedies. The following are remedies available to Northern Trust under the Northern Trust Liquidity Facility upon the occurrence of certain events of default thereunder:

Termination. In the case of an Event of Default as specified in paragraphs (f), (g), (h), (i)(i), (i)(ii), (j) or (k) under the subheading "Events of Default" above (an "Event of Termination"), the Available Commitment (as defined in the Northern Trust Liquidity Facility) and the obligation of Northern Trust under the Northern Trust Liquidity Facility to purchase Subseries A-4 Bonds shall immediately terminate without notice or demand to any person, and thereafter Northern Trust shall be under no obligation to purchase such Subseries A-4 Bonds. Promptly upon the occurrence of such Event of Termination, Northern Trust shall give written notice of the same to the Authority, the Fiscal Agent, the Tender Agent and the Remarketing Agent, but Northern Trust shall incur no liability or responsibility by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and its obligation to purchase such Subseries A-4 Bonds pursuant to the Northern Trust Liquidity Facility.

Suspension. In the event of the issuance of any judgment that is appealable or not final but is otherwise described in paragraph (i)(i) under the subheading "Events of Default" above (such judgment a "Nonfinal

Invalidity Judgment”), if such Nonfinal Invalidity Judgment has not been overturned or stayed upon appeal within 30 days after issuance thereof, the Available Commitment and the obligation of Northern Trust under the Northern Trust Liquidity Facility to purchase Subseries A-4 Bonds each shall be suspended without notice or demand to any person, and thereafter Northern Trust shall be under no obligation to purchase Subseries A-4 Bonds, until such obligation is reinstated as specified below. Following any suspension pursuant to this clause (b), the Available Commitment and the obligation of Northern Trust under the Northern Trust Liquidity Facility each immediately shall terminate and Northern Trust shall be under no further obligation to purchase Subseries A-4 Bonds under the Northern Trust Liquidity Facility (i) from the date on which a court of competent jurisdiction shall enter a final, nonappealable judgment that the Subseries A-4 Bonds or any provision of the Northern Trust Liquidity Facility or of the Series Resolution relating to the payment of principal of or interest on the Subseries A-4 Bonds shall cease for any reason to be valid and binding and (ii) from the date that is the earlier to occur of the Scheduled Termination Date and the date that is three years after the date of issuance of the relevant Nonfinal Invalidity Judgment, if on such date the relevant litigation is still pending and a final and nonappealable judgment related thereto has not been obtained. The Available Commitment and the obligation of Northern Trust to purchase Subseries A-4 Bonds under the Northern Trust Liquidity Facility immediately shall be reinstated and the terms of the Northern Trust Liquidity Facility will continue in full force and effect (unless the Northern Trust Liquidity Facility shall otherwise have terminated by its terms) as if there had been no such suspension on the date on which a court of competent jurisdiction shall issue a judgment that the Subseries A-4 Bonds or any provision of the Northern Trust Liquidity Facility or of the Series Resolution, as applicable, relating to the payment of principal of or interest on the Subseries A-4 Bonds is valid and binding.

Mandatory Tender. In the case of an Event of Default as specified in paragraphs (a)(i), (b), (c), (d) or (e) under the subheading “Events of Default” above (but only if such Event of Default under the Northern Trust Liquidity Facility continues for at least five Business Days after notice thereof is given to the Authority by Northern Trust), Northern Trust, in its sole discretion, may (x) give written notice (a “Notice of Default”) of such Event of Default under the Northern Trust Liquidity Facility to the applicable Remarketing Agent or Remarketing Agents and to the Fiscal Agent and the Tender Agent requesting a mandatory tender of all or any portion of the Subseries A-4 Bonds pursuant to the Indenture and the Series Resolution and stating that the obligation of Northern Trust to purchase such Subseries A-4 Bonds shall terminate 15 days after such notice is received by the Tender Agent and on such date the Available Commitment shall terminate and Northern Trust shall be under no obligation under the Northern Trust Liquidity Facility to purchase such Subseries A-4 Bonds after such date or (y) give a written notice (a “Conversion Notice”) to the Authority directing the Authority to convert to a rate other than a Covered Rate (as defined in the Northern Trust Liquidity Facility) all or any portion of the Subseries A-4 Bonds. Upon conversion to a rate other than a Covered Rate, Northern Trust agrees to purchase the Subseries A-4 Bonds so converted and not remarketed, subject to and in accordance with the terms of the Northern Trust Liquidity Facility.

U.S. Bank Liquidity Facility

General. The following description is a summary of certain provisions of the U.S. Bank Liquidity Facility only. Such summary does not purport to be a complete description or restatement of all of the material provisions of the U.S. Bank Liquidity Facility. Investors should obtain and review a copy of the U.S. Bank Liquidity Facility in order to understand all of the terms of that document.

The U.S. Bank Liquidity Facility provides that, subject to the terms and conditions set forth in the U.S. Bank Liquidity Facility, U.S. Bank is obligated to purchase during the Purchase Period (as defined in the U.S. Bank Liquidity Facility) the Subseries A-5 Bonds tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof, in each case, to the extent such applicable Subseries A-5 Bonds are not remarketed by the Remarketing Agent. The U.S. Bank Liquidity Facility will expire on August 28, 2015, unless extended or terminated pursuant to its terms. Under the U.S. Bank Liquidity Facility, U.S. Bank is initially obligated to make available an amount equal to the then outstanding aggregate principal amount of Subseries A-5 Bonds plus 35 days’ interest thereon of a rate of 9% per annum.

Under certain circumstances as described below, the obligation of U.S. Bank to purchase the Subseries A-5 Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be

automatically and immediately suspended or terminated without notice to the bondholders. In such event, sufficient funds may not be available to purchase Subseries A-5 Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the U.S. Bank Liquidity Facility does not provide support or security for the payment of principal of, premium, if any, or interest on the Subseries A-5 Bonds.

Purchase of Tendered Bonds by U.S. Bank. U.S. Bank will, on the terms and subject to the conditions contained in the U.S. Bank Liquidity Facility, purchase from time to time during the Purchase Period, Subseries A-5 Bonds which bear interest at the Daily Rate or the Weekly Rate which are not Purchased Bonds (as defined in the U.S. Bank Liquidity Facility) or Subseries A-5 Bonds owned by or held on behalf of, for the benefit of, or for the account of, the Authority, tendered or deemed tendered from time to time during the Purchase Period pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Series Resolution, in each case, to the extent the Subseries A-5 Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement. The price to be paid by U.S. Bank for the Subseries A-5 Bonds on a Purchase Date (as defined in the U.S. Bank Liquidity Facility) will be equal to the aggregate principal amount of the Subseries A-5 Bonds to be purchased on such Purchase Date, provided that the aggregate principal amount of such Subseries A-5 Bonds so purchased shall not exceed the Available Principal Commitment (as defined in the U.S. Bank Liquidity Facility) on such date, plus the lesser of (i) the Available Interest Commitment (as defined in the U.S. Bank Liquidity Facility) and (ii) interest accrued on such Subseries A-5 Bonds to be purchased to but excluding the date of such purchase; provided that if the applicable Purchase Date is an Interest Payment Date (as defined in the U.S. Bank Liquidity Agreement) the amount described in this sentence shall be reduced by the amount of interest payable on each such Subseries A-5 Bond on such Interest Payment Date.

Events of Default. The following events, among others, constitute Events of Default under the U.S. Bank Liquidity Facility. Reference is made to the U.S. Bank Liquidity Facility for a complete listing of all Events of Default.

(a) The Authority shall fail to pay when due (i) any fees provided for in the Fee Agreement (as defined in the U.S. Bank Liquidity Facility) and such failure shall continue for five days or (ii) any other amount payable under the U.S. Bank Liquidity Facility and such failure shall continue for seven days; provided, however, that no such failure to pay shall constitute an Event of Default under the U.S. Bank Liquidity Facility if (A) such failure to pay was caused solely by an error or omission of an administrative or operational nature, (B) funds were available to enable the Authority to make such payment when due and (C) such payment is made within two Business Days after the Authority's actual knowledge of such failure to pay;

(b) The Authority shall fail to observe certain covenants contained in the U.S. Bank Liquidity Facility;

(c) The Authority shall fail to observe or perform any covenant or agreement contained in the U.S. Bank Liquidity Facility or the Fee Agreement (other than those covered by subsection (a) or (b) above, but including those incorporated in any section thereof by reference) for 20 days after written notice thereof has been given to the Authority by U.S. Bank;

(d) Any representation, warranty, certification or statement made by the Authority (or incorporated in any section thereof by reference) in the U.S. Bank Liquidity Facility or any Related Document (as defined in the U.S. Bank Liquidity Facility) or in any certificate, financial statement or other document delivered pursuant to the U.S. Bank Liquidity Facility or any Related Document shall prove to have been incorrect in any material respect when made or deemed to have been made;

(e) (i) The Authority shall fail to pay when due any principal of or premium, if any, or interest on the Subseries A-5 Bonds or Purchased Bonds (as defined in the U.S. Bank Liquidity Facility) (regardless of any waiver thereof by the holders of the Subseries A-5 Bonds), or (ii) any default by the Authority shall occur and be continuing in the payment of principal of or premium, if any, or interest on any Parity Secured Debt (as defined in the U.S. Bank Liquidity Facility), or (iii) pursuant to the provisions of any resolution, indenture, contract or other instrument, the maturity of any bond, note or other similar evidence of indebtedness issued or assumed by the Authority

(including amounts drawn under a letter of credit, line of credit or other credit or liquidity facilities relating thereto but excluding fees under letters of credit, lines of credit or other credit and liquidity facilities) that is secured by or payable from the Revenues or the Tax Revenues on a basis that is senior to or on a parity with the Subseries A-5 Bonds and Purchased Bonds, as the result of the occurrence of any default with respect to the payment of any principal or interest thereunder, shall be accelerated or required to be paid prior to the stated maturity thereof;

(f) An Event of Default under the Indenture or the Series Resolution shall occur;

(g) (i) Each of Moody's, S&P and Fitch shall rate any Parity Debt (as defined in the U.S. Bank Liquidity Facility) below "Baa3" in the case of Moody's and below "BBB-" in the case of S&P and Fitch or (ii) each of Moody's, S&P and Fitch shall withdraw or suspend any such rating for a credit-related reason or (iii) any of Moody's, S&P or Fitch shall rate any Parity Debt below "Baa2" in the case of Moody's or "BBB" in the case of S&P or Fitch or (iv) any of Moody's, S&P or Fitch shall withdraw or suspend any such rating for a credit related reason;

(h) (i) (A) The Authority shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable of the principal of or interest on the Subseries A-5 Bonds or any debt obligations of the Authority secured by a lien on the Revenues or the Tax Revenues on a basis that is senior to or on parity with the Subseries A-5 Bonds or Purchased Bonds or (B) the State of New York or any other governmental authority having appropriate jurisdiction over the Authority shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable of the principal of or interest on the Subseries A-5 Bonds or all debt obligations of the Authority secured by a lien on Revenues or Tax Revenues on a basis that is senior to or on parity with the Subseries A-5 Bonds or (ii) the Authority shall (A) apply for or consent to the appointment of, or there shall occur the taking or possession by, a receiver, custodian, trustee, liquidator or sequestrator (or other similar official) of itself or of all or substantially all of its property or assets, (B) admit in writing its inability to pay its debts as they become due or shall become insolvent within the meaning of Section 101(32) of the Bankruptcy Code, (C) make a general assignment for the benefit of creditors, (D) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, winding-up or composition or adjustment of debts or (E) take any action for the purpose of effecting any of the acts set forth in clauses (A) through (D) above or (iii) an involuntary case or other proceeding shall be commenced against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or substantially all of its property or assets, and such involuntary case shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Authority under the federal bankruptcy laws as now or hereafter in effect;

(i) (i) A final, nonappealable judgment shall be issued by a court of competent jurisdiction that the Subseries A-5 Bonds (including Purchased Bonds) or any provision of the U.S. Bank Liquidity Facility, the Indenture or the Series Resolution relating to (A) the payment of principal or interest on the Subseries A-5 Bonds (including Purchased Bonds) or (B) the pledge of the Revenues or the Tax Revenues supporting the Subseries A-5 Bonds and Purchased Bonds shall cease for any reason to be valid and binding, or (ii) the Authority shall initiate legal proceedings or assert in legal proceedings or otherwise repudiate or publicly contest, acting through an official of the Authority having authority to do so, that any Parity Secured Debt or the Subseries A-5 Bonds (including Purchased Bonds) or any provision of the U.S. Bank Liquidity Facility, the Indenture or the Series Resolution relating to (A) the payment of principal or interest on any of the Subseries A-5 Bonds (including Purchased Bonds) or (B) the pledge of the Revenues or the Tax Revenues supporting the Subseries A-5 Bonds and Purchased Bonds is invalid or that the Authority has no liability thereon or (iii) any material provision of the U.S. Bank Liquidity Facility, the Indenture, the Series Resolution, the Fee Agreement, the Subseries A-5 Bonds, the Purchased Bonds, other than a provision described in clause (i) of this paragraph (i), shall at any time for any reason cease to be valid and binding on the Authority as a result of a ruling, finding, decree, order, legislative act or similar action by a governmental authority having jurisdiction over the Authority, or shall be declared in a final nonappealable judgment by any court having jurisdiction over the Authority to be null and void, invalid, or unenforceable, or the

validity or enforceability thereof shall be publicly contested by the Authority, acting through an official of the Authority having the authority to do so; and

(j) A final, nonappealable money judgment shall be entered by a court or other regulatory body of competent jurisdiction against the Authority in an amount in excess of \$10,000,000 and the Authority shall have failed to satisfy said money judgment within 90 days from the first date when said judgment shall have become final, nonappealable and enforceable and subject to collection in accordance with its terms.

Remedies. The following are remedies available to U.S. Bank under the U.S. Bank Liquidity Facility upon the occurrence of certain events of default thereunder:

Termination. In the case of an Event of Default as specified in paragraph (e), (g)(i), (g)(ii), (h), (i)(i), (i)(ii) or (j) under the subheading “Events of Default” above (an “Event of Termination”), the Available Commitment (as defined in the U.S. Bank Liquidity Facility) and the Commitment (as defined in the U.S. Bank Liquidity Facility) and the obligation of U.S. Bank under the U.S. Bank Liquidity Facility to purchase Eligible Bonds (as defined in the U.S. Bank Liquidity Facility) immediately shall terminate without notice or demand to any person, and thereafter U.S. Bank shall be under no obligation to purchase Subseries A-5 Bonds. Promptly upon the occurrence of such Event of Termination, U.S. Bank shall give written notice of the same to the Authority, the Trustee, the Tender Agent and the Remarketing Agent, but U.S. Bank shall incur no liability or responsibility by reason of any failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and the Commitment and U.S. Bank’s obligation to purchase such Subseries A-5 Bonds pursuant to the U.S. Bank Liquidity Facility.

Mandatory Tender. In the case of any other Event of Default (other than an Event of Termination), U.S. Bank shall (x) give written notice (a “Notice of Default”) of such Event of Default to the applicable Remarketing Agent or Remarketing Agents and to the Tender Agent requesting a mandatory tender of all or any portion of the Subseries A-5 Bonds pursuant to the Series Resolution and stating that the obligation of U.S. Bank to purchase such Subseries A-5 Bonds shall terminate 15 days after such notice is received by the Tender Agent and on such date the Available Commitment and Commitment shall terminate and U.S. Bank shall be under no obligation under the U.S. Bank Liquidity Facility to purchase such Subseries A-5 Bonds after such date or (y) give a written notice to the Authority directing the Authority to convert to a rate other than an Eligible Rate (as defined in the U.S. Bank Liquidity Facility) all or any portion of the Subseries A-5 Bonds. Upon conversion to a rate other than an Eligible Rate, U.S. Bank agrees to purchase the Subseries A-5 Bonds so converted and not remarketed, subject to and in accordance with the terms of the U.S. Bank Liquidity Facility.

Suspension. In the event of the issuance of any judgment that is appealable or not final but is otherwise described in paragraph (i)(i) under the subheading “Events of Default” above (such judgment a “Nonfinal Invalidity Judgment”), if such Nonfinal Invalidity Judgment has not been overturned or stayed upon appeal within 30 days after issuance thereof, the Available Commitment and the Commitment and the obligation of U.S. Bank under the U.S. Bank Liquidity Facility to purchase Subseries A-5 Bonds each shall be suspended without notice or demand to any person, and thereafter U.S. Bank shall be under no obligation to purchase Subseries A-5 Bonds, from the 30th day after issuance of such Nonfinal Invalidity Judgment until such obligation is reinstated as specified below. U.S. Bank’s obligation to purchase Subseries A-5 Bonds following the stay of any Nonfinal Invalidity Judgment shall be suspended immediately (without the lapse of another thirty day time period) if such stay is lifted pursuant to a subsequent Nonfinal Invalidity Judgment. Following any suspension pursuant to this paragraph (c), the Available Commitment and the Commitment and the obligation of U.S. Bank to purchase Subseries A-5 Bonds under the U.S. Bank Liquidity Facility each immediately shall terminate and U.S. Bank shall be under no further obligation to purchase Subseries A-5 Bonds pursuant to the terms of the U.S. Bank Liquidity Facility (i) from the date on which a court of competent jurisdiction shall enter a final, nonappealable judgment that the Subseries A-5 Bonds or any provision of the U.S. Bank Liquidity Facility or of the Series Resolution relating to (A) the payment of principal of or interest on the Subseries A-5 Bonds and/or Purchased Bonds or (B) the pledge of the Revenues or the Tax Revenues supporting the Subseries A-5 Bonds and/or Purchased Bonds, as applicable, shall cease for any reason to be valid and binding and (ii) from the date that is the earlier to occur of the Scheduled Termination Date (as set forth in the U.S. Bank Liquidity Facility) and the date that is three years after the date of issuance of the

relevant Nonfinal Invalidity Judgment, if on such date the relevant litigation is still pending and a final and nonappealable judgment related thereto has not been obtained. The Available Commitment and the Commitment and the obligation of U.S. Bank to purchase Subseries A-5 Bonds under the U.S. Bank Liquidity Facility immediately shall be reinstated and the terms of the U.S. Bank Liquidity Facility will continue in full force and effect (unless the U.S. Bank Liquidity Facility shall otherwise have terminated by its terms) as if there had been no such suspension on the date on which a court of competent jurisdiction shall issue a judgment that the Subseries A-5 Bonds or any provision of the U.S. Bank Liquidity Facility or of the Series Resolution or the Indenture, as applicable, relating to (A) the payment of principal of or interest on the Subseries A-5 Bonds and the Purchased Bonds or (B) the pledge of the Revenues and the Tax Revenues supporting the Subseries A-5 Bonds and Purchased Bonds, as applicable, is valid and binding.

Default Rate Notice. Upon the occurrence of an Event of Default specified under the subheading “Events of Default” above, U.S. Bank shall deliver a notice (a “Default Rate Notice”) to the Authority for purposes of increasing the Purchased Bond Rate (as defined in the U.S. Bank Liquidity Facility) payable on the Subseries A-5 Bonds or take any other actions permitted by applicable law. U.S. Bank may, at any time revoke a Default Rate Notice by written notice to the Authority. Upon any such revocation of a Default Rate Notice or upon cure of an Event of Default pursuant to which a Default Rate Notice was delivered, such Default Rate Notice shall be deemed no longer to be in effect.

State Street/CalSTRS Liquidity Facility

General. The following description is a summary of certain provisions of the State Street/CalSTRS Liquidity Facility only. Such summary does not purport to be a complete description or restatement of all of the material provisions of the State Street/CalSTRS Liquidity Facility. Investors should obtain and review a copy of the State Street/CalSTRS Liquidity Facility in order to understand all of the terms of that document.

The State Street/CalSTRS Liquidity Facility provides that, subject to the terms and conditions set forth in the State Street/CalSTRS Liquidity Facility, (i) CalSTRS is obligated to purchase during the Purchase Period (as defined in the State Street/CalSTRS Liquidity Facility) the Subseries A-6 Bonds tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof, in each case, to the extent such applicable Subseries A-6 Bonds are not remarketed by the applicable Remarketing Agent and (ii) State Street shall purchase during the Purchase Period the Subseries A-7 Bonds tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof, in each case, to the extent such applicable Subseries A-7 Bonds are not remarketed by the applicable Remarketing Agent. The State Street/CalSTRS Liquidity Facility will expire on August 28, 2015, unless extended or terminated pursuant to its terms. Under the State Street/CalSTRS Liquidity Facility, CalSTRS is initially obligated to make available an amount equal to the then outstanding aggregate principal amount of Subseries A-6 Bonds and State Street is initially obligated to make available an amount equal to the then outstanding aggregate principal amount of Subseries A-7 Bonds, plus in each case 35 days’ interest on the respective subseries of Adjustable Rate Bonds at a rate of 9% per annum.

Under certain circumstances as described below, the obligation of CalSTRS to purchase the Subseries A-6 Bonds and State Street to purchase the Subseries A-7 Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be automatically and immediately suspended or terminated without notice to the bondholders. In such event, sufficient funds may not be available to purchase Subseries A-6 Bonds and Subseries A-7 Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the State Street/CalSTRS Liquidity Facility does not provide support or security for the payment of principal of, premium, if any, or interest on the Subseries A-6 Bonds or Subseries A-7 Bonds.

Purchase of Tendered Bonds by CalSTRS and State Street. CalSTRS will, on the terms and subject to the conditions contained in the State Street/CalSTRS Liquidity Facility, purchase from time to time during the Purchase Period Subseries A-6 Bonds which bear interest at the Daily Rate or the Weekly Rate which are not CalSTRS Purchased Bonds (as defined in the State Street/CalSTRS Liquidity Facility) or Subseries A-6 Bonds owned by or held on behalf of, for the benefit of, or for the account of, the Authority, tendered or deemed tendered from time to time during the Purchase Period pursuant to an optional or mandatory tender by owners thereof in accordance with

the terms and provisions of the Series Resolution, in each case, to the extent the Subseries A-6 Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement. The price to be paid by CalSTRS for the Subseries A-6 Bonds on a Purchase Date (as defined in the State Street/CalSTRS Liquidity Facility) will be equal to the aggregate principal amount of the Subseries A-6 Bonds, to be purchased on such Purchase Date, provided that the aggregate principal amount of such Subseries A-6 Bonds so purchased shall not exceed the CalSTRS Available Principal Commitment (as defined in the State Street/CalSTRS Liquidity Facility) on such date, plus the lesser of (i) the CalSTRS Available Interest Commitment (as defined in the State Street/CalSTRS Liquidity Facility) and (ii) interest accrued on such Subseries A-6 Bonds to be purchased to but excluding the date of such purchase; provided that if the applicable Purchase Date is an Interest Payment Date (as defined in the State Street/CalSTRS Liquidity Facility) the amount described in this sentence shall be reduced by the amount of interest payable on each such Subseries A-6 Bond on such Interest Payment Date.

State Street will, on the terms and subject to the conditions contained in the State Street/CalSTRS Liquidity Facility, purchase from time to time during the Purchase Period Subseries A-7 Bonds which bear interest at the Weekly Rate which are not State Street Purchased Bonds (as defined in the State Street/CalSTRS Liquidity Facility) or Subseries A-7 Bonds owned by or held on behalf of, for the benefit of, or for the account of, the Authority, tendered or deemed tendered from time to time during the Purchase Period pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Series Resolution, in each case, to the extent the Subseries A-7 Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement. The price to be paid by State Street for the Subseries A-7 Bonds on a Purchase Date (as defined in the State Street/CalSTRS Liquidity Facility) will be equal to the aggregate principal amount of the Subseries A-7 Bonds to be purchased on such Purchase Date, provided that the aggregate principal amount of such Subseries A-7 Bonds so purchased shall not exceed the State Street Available Principal Commitment (as defined in the State Street/CalSTRS Liquidity Facility) on such date, plus the lesser of (i) the State Street Available Interest Commitment (as defined in the State Street/CalSTRS Liquidity Facility) and (ii) interest accrued on such Subseries A-7 Bonds to be purchased to but excluding the date of such purchase; provided that if the applicable Purchase Date is an Interest Payment Date (as defined in the State Street/CalSTRS Liquidity Facility) the amount described in this sentence shall be reduced by the amount of interest payable on each such Subseries A-7 Bond on such Interest Payment Date.

Events of Default. The following events, among others, constitute Events of Default under the State Street/CalSTRS Liquidity Facility. Reference is made to the State Street/CalSTRS Liquidity Facility for a complete listing of all Events of Default.

(a) The Authority shall fail to pay when due (i) any fees provided for in the Fee Agreement (as defined in the State Street/CalSTRS Liquidity Facility) and such failure shall continue for five days or (ii) any other amount payable under the State Street/CalSTRS Liquidity Facility and such failure shall continue for seven days; provided, however, that no such failure to pay shall constitute an Event of Default under the State Street/CalSTRS Liquidity Facility if (A) such failure to pay was caused solely by an error or omission of an administrative or operational nature, (B) funds were available to enable the Authority to make such payment when due and (C) such payment is made within two Business Days after the Authority's actual knowledge of such failure to pay;

(b) The Authority shall fail to observe certain covenants contained in the State Street/CalSTRS Liquidity Facility;

(c) The Authority shall fail to observe or perform any covenant or agreement contained in the State Street/CalSTRS Liquidity Facility or the Fee Agreement (other than those covered by subsection (a) or (b) above, but including those incorporated in any section thereof by reference) for 20 days after written notice thereof has been given to the Authority by the Bank Agent (as defined in the State Street/CalSTRS Liquidity Facility) (at the direction of State Street and CalSTRS);

(d) Any representation, warranty, certification or statement made by the Authority (or incorporated in any section thereof by reference) in the State Street/CalSTRS Liquidity Facility or any Related Document (as defined in the State Street/CalSTRS Liquidity Facility) or in any certificate, financial statement or other document

delivered pursuant to the State Street/CalSTRS Liquidity Facility or any Related Document shall prove to have been incorrect in any material respect when made or deemed to have been made;

(e) (i) The Authority shall fail to pay when due any principal of or premium, if any, or interest on the Subseries A-6 Bonds, the Subseries A-7 Bonds or Purchased Bonds (as defined in the State Street/CalSTRS Liquidity Facility) (regardless of any waiver thereof by the holders of the Subseries A-6 Bonds or the Subseries A-7 Bonds), or (ii) any default by the Authority shall occur and be continuing in the payment of principal of or premium, if any, or interest on any Parity Secured Debt (as defined in the State Street/CalSTRS Liquidity Facility), or (iii) pursuant to the provisions of any resolution, indenture, contract or other instrument, the maturity of any bond, note or other similar evidence of indebtedness issued or assumed by the Authority (including amounts drawn under a letter of credit, line of credit or other credit or liquidity facilities relating thereto but excluding fees under letters of credit, lines of credit or other credit and liquidity facilities) that is secured by or payable from the Revenues or the Tax Revenues on a basis that is senior to or on a parity with the Subseries A-6 Bonds, the Subseries A-7 Bonds and Purchased Bonds, as the result of the occurrence of any default with respect to the payment of any principal or interest thereunder, shall be accelerated or required to be paid prior to the stated maturity thereof;

(f) An Event of Default under the Indenture or the Series Resolution shall occur;

(g) (i) Each of Moody's, S&P and Fitch shall rate any Parity Debt below "Baa3" in the case of Moody's and below "BBB-" in the case of S&P and Fitch or (ii) each of Moody's, S&P and Fitch shall withdraw or suspend any such rating for a credit-related reason or (iii) any of Moody's, S&P or Fitch shall rate any Parity Debt below "Baa2" in the case of Moody's or "BBB" in the case of S&P or Fitch or (iv) any of Moody's, S&P or Fitch shall withdraw or suspend any such rating for a credit related reason;

(h) (i) (A) The Authority shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable of the principal of or interest on the Subseries A-6 Bonds, the Subseries A-7 Bonds or any debt obligations of the Authority secured by a lien on Revenues or Tax Revenues on a basis that is senior to or on parity with the Subseries A-6 Bonds, the Subseries A-7 Bonds or Purchased Bonds or (B) the State of New York or any other governmental authority having appropriate jurisdiction over the Authority shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable of the principal of or interest on the Subseries A-6 Bonds, the Subseries A-7 Bonds or all debt obligations of the Authority secured by a lien on Revenues or Tax Revenues on a basis that is senior to or on parity with the Subseries A-6 Bonds or the Subseries A-7 Bonds or (ii) the Authority shall (A) apply for or consent to the appointment of, or there shall occur the taking or possession by, a receiver, custodian, trustee, liquidator or sequestrator (or other similar official) of itself or of all or substantially all of its property or assets, (B) admit in writing its inability to pay its debts as they become due or shall become insolvent within the meaning of Section 101(32) of the Bankruptcy Code, (C) make a general assignment for the benefit of creditors, (D) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, winding-up or composition or adjustment of debts or (E) take any action for the purpose of effecting any of the acts set forth in clauses (A) through (D) above or (iii) an involuntary case or other proceeding shall be commenced against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or substantially all of its property or assets, and such involuntary case shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Authority under the federal bankruptcy laws as now or hereafter in effect;

(i) (i) A final, nonappealable judgment shall be issued by a court of competent jurisdiction that the Subseries A-6 Bonds or the Subseries A-7 Bonds (including Purchased Bonds) or any provision of the State Street/CalSTRS Liquidity Facility, the Indenture or the Series Resolution relating to (A) the payment of principal or interest on the Subseries A-6 Bonds or the Subseries A-7 Bonds (including Purchased Bonds) or (B) the pledge of the Revenues or the Tax Revenues of the Authority supporting the Subseries A-6 Bonds, the Subseries A-7 Bonds and Purchased Bonds shall cease for any reason to be valid and binding, or (ii) the Authority shall initiate legal proceedings or assert in legal proceedings or otherwise repudiate or publicly contest, acting through an official of

the Authority having authority to do so, that any Parity Secured Debt or the Subseries A-6 Bonds or the Subseries A-7 Bonds (including Purchased Bonds) or any provision of the State Street/CalSTRS Liquidity Facility, the Indenture or the Series Resolution relating to (A) the payment of principal or interest on any of the Subseries A-6 Bonds or the Subseries A-7 Bonds (including Purchased Bonds) or (B) the pledge of the Revenues or the Tax Revenues supporting the Subseries A-6 Bonds, the Subseries A-7 Bonds and Purchased Bonds is invalid or that the Authority has no liability thereon or (iii) any material provision of the State Street/CalSTRS Liquidity Facility, the Indenture, the Series Resolution, the Fee Letter, the Subseries A-6 Bonds, the Subseries A-7 Bonds, the Purchased Bonds, other than a provision described in clause (i) of this paragraph (i), shall at any time for any reason cease to be valid and binding on the Authority as a result of a ruling, finding, decree, order, legislative act or similar action by a governmental authority having jurisdiction over the Authority, or shall be declared in a final non appealable judgment by any court having jurisdiction over the Authority to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Authority, acting through an official of the Authority having the authority to do so; and

(j) A final, nonappealable money judgment shall be entered by a court or other regulatory body of competent jurisdiction against the Authority in an amount in excess of \$10,000,000 and the Authority shall have failed to satisfy said money judgment within 90 days from the first date when said judgment shall have become final, nonappealable and enforceable and subject to collection in accordance with its terms.

Remedies. The following are remedies available to CalSTRS and State Street under the State Street/CalSTRS Liquidity Facility upon the occurrence of certain events of default thereunder:

Termination. In the case of an Event of Default as specified in paragraph (e), (g)(i), (g)(ii), (h), (i)(i), (i)(ii) or (j) under the subheading “Events of Default” above (an “Event of Termination”), each Available Commitment (as defined in the State Street/CalSTRS Liquidity Facility) and each Individual Commitment (as defined in the State Street/CalSTRS Liquidity Facility) and the obligation of each of CalSTRS and State Street under the State Street/CalSTRS Liquidity Facility to purchase, respectively, Subseries A-6 Bonds or Subseries A-7 Bonds, immediately shall terminate without notice or demand to any person, and thereafter CalSTRS and State Street shall be under no obligation to purchase Subseries A-6 Bonds and Subseries A-7 Bonds, as applicable. Promptly upon the occurrence of such Event of Termination, the Bank Agent or either of CalSTRS or State Street shall give written notice of the same to the Authority, the Trustee, the Tender Agent and the Remarketing Agent, but none of the Bank Agent, CalSTRS or State Street shall incur any liability or responsibility by reason of the failure to give such notice and such failure shall in no way affect the termination of each Available Commitment and the Individual Commitments and obligation of CalSTRS and State Street to purchase such Subseries A-6 Bonds and Subseries A-7 Bonds, respectively, pursuant to the State Street/CalSTRS Liquidity Facility.

Mandatory Tender. In the case of any other Event of Default (other than an Event of Termination), the Bank Agent (at the direction of State Street and CalSTRS) shall (x) give written notice (a “Notice of Default”) of such Event of Default to the applicable Remarketing Agent or Remarketing Agents and to the Tender Agent requesting a mandatory tender of all or any portion of the Subseries A-6 Bonds and Subseries A-7 Bonds, as applicable, pursuant to the Series Resolution and stating that the obligation of CalSTRS and State Street (with respect to notice given from the Bank Agent) or either of CalSTRS or State Street (with respect to notice given from CalSTRS or State Street, as applicable) to purchase such Subseries A-6 Bonds or Subseries A-7 Bonds, as applicable, shall terminate 15 days after such notice is received by the Tender Agent and on such date each Available Commitment and each Individual Commitment shall terminate and each of CalSTRS and State Street shall be under no obligation under the State Street/CalSTRS Liquidity Facility to purchase such Subseries A-6 Bonds and Subseries A-7 Bonds after such date or (y) give a written notice to the Authority directing the Authority to convert to a rate other than an Eligible Rate (as defined in the State Street/CalSTRS Liquidity Facility) all or any portion of the Subseries A-6 Bonds or Subseries A-7 Bonds. Upon conversion to a rate other than an Eligible Rate, CalSTRS and State Street agree to purchase the Subseries A-6 Bonds or Subseries A-7 Bonds, as applicable, so converted and not remarketed, subject to and in accordance with the terms of the State Street/CalSTRS Liquidity Facility.

Suspension. In the event of the issuance of any judgment that is appealable or not final but is otherwise described in paragraph (i)(i) under the subheading “Events of Default” above (such judgment a “Nonfinal

Invalidity Judgment”), if such Nonfinal Invalidity Judgment has not been overturned or stayed upon appeal within 30 days after issuance thereof, each Available Commitment and each Individual Commitment and the obligation of CalSTRS and State Street under the State Street/CalSTRS Liquidity Facility to purchase Subseries A-6 Bonds and Subseries A-7 Bonds, respectively, each shall be suspended without notice or demand to any person, and thereafter CalSTRS and State Street shall be under no obligation to purchase Subseries A-6 Bonds and Subseries A-7 Bonds, as applicable, from the 30th day after issuance of such Nonfinal Invalidity Judgment until such obligation is reinstated as specified below. The obligation of CalSTRS to purchase Subseries A-6 Bonds and the obligation of State Street to purchase Subseries A-7 Bonds following the stay of any Nonfinal Invalidity Judgment shall be suspended immediately (without the lapse of another thirty day time period) if such stay is lifted pursuant to a subsequent Nonfinal Invalidity Judgment. Following any suspension pursuant to this paragraph (c), each Available Commitment and each Individual Commitment and the obligation of CalSTRS to purchase Subseries A-6 Bonds and the obligation of State Street to purchase Subseries A-7 Bonds under the State Street/CalSTRS Liquidity Facility each immediately shall terminate and neither CalSTRS nor State Street shall be under any further obligation to purchase Subseries A-6 Bonds or Subseries A-7 Bonds, as applicable, pursuant to the terms of the State Street/CalSTRS Liquidity Facility (i) from the date on which a court of competent jurisdiction shall enter a final, nonappealable judgment that the Subseries A-6 Bonds, the Subseries A-7 Bonds or any provision of the State Street/CalSTRS Liquidity Facility or of the Series Resolution relating to (A) the payment of principal of or interest on the Subseries A-6 Bonds, the Subseries A-7 Bonds and/or Purchased Bonds or (B) the pledge of the Revenues or the Tax Revenues supporting the Subseries A-6 Bonds, the Subseries A-7 Bonds and/or Purchased Bonds, as applicable, shall cease for any reason to be valid and binding and (ii) from the date that is the earlier to occur of the Scheduled Termination Date (as set forth in the State Street/CalSTRS Liquidity Facility) and the date that is three years after the date of issuance of the relevant Nonfinal Invalidity Judgment, if on such date the relevant litigation is still pending and a final and nonappealable judgment related thereto has not been obtained. Each Available Commitment and each Individual Commitment and the obligations of CalSTRS and State Street to purchase Subseries A-6 Bonds and Subseries A-7 Bonds, respectively, under the State Street/CalSTRS Liquidity Facility immediately shall be reinstated and the terms of the State Street/CalSTRS Liquidity Facility will continue in full force and effect (unless the State Street/CalSTRS Liquidity Facility shall otherwise have terminated by its terms) as if there had been no such suspension on the date on which a court of competent jurisdiction shall issue a judgment that the Subseries A-6 Bonds, the Subseries A-7 Bonds or any provision of the State Street/CalSTRS Liquidity Facility or of the Series Resolution, as applicable, relating to (A) the payment of principal of or interest on the Subseries A-6 Bonds, the Subseries A-7 Bonds and the Purchased Bonds or (B) the pledge of Revenues and Tax Revenues supporting the Subseries A-6 Bonds, the Subseries A-7 Bonds and Purchased Bonds, as applicable, is valid and binding.

Default Rate Notice. Upon the occurrence of an Event of Default specified under the subheading “Events of Default” above, the Bank Agent (at the direction of CalSTRS and State Street) may deliver a notice (a “Default Rate Notice”) to the Authority for purposes of increasing the Purchased Bonds Rate (as defined in the State Street/CalSTRS Liquidity Facility) payable on the Subseries A-6 Bonds and Subseries A-7 Bonds or take any other actions permitted by applicable law. The Bank Agent (at the direction of CalSTRS and State Street) may, at any time, in its discretion, revoke a Default Rate Notice by written notice to the Authority. Upon any such revocation of a Default Rate Notice or upon cure of an Event of Default pursuant to which a Default Rate Notice was delivered, such Default Rate Notice shall be deemed no longer to be in effect.

Liquidity Providers

For information concerning the Liquidity Providers, see “APPENDIX C—THE NORTHERN TRUST COMPANY,” “APPENDIX D—U.S. BANK NATIONAL ASSOCIATION,” “APPENDIX E—CALIFORNIA STATE TEACHERS’ RETIREMENT SYSTEM” and “APPENDIX F—STATE STREET BANK AND TRUST COMPANY.” None of the Authority or the Underwriters are responsible for the accuracy of the information contained herein describing the Liquidity Providers.

Special Considerations Relating to the Bonds

The Remarketing Agents are Paid by the Authority. The responsibilities of the Remarketing Agents include determining the interest rate from time to time and remarketing the Adjustable Rate Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Indenture and the Remarketing Agreement), all as further described in this Offering Circular. The Remarketing Agents are appointed by the Authority and are paid by the Authority for their services. As a result, the interests of the Remarketing Agents may differ from those of existing Holders and potential purchasers of Adjustable Rate Bonds.

The Remarketing Agents Routinely Purchase Bonds for their Own Account. The Remarketing Agents act as remarketing agents for a variety of variable rate demand obligations and, in their sole discretion, routinely purchase such obligations for their own account. The Remarketing Agents are permitted, but not obligated, to purchase tendered Adjustable Rate Bonds for their own account and, in their sole discretion, may routinely acquire such tendered Adjustable Rate Bonds in order to achieve a successful remarketing of such Bonds (i.e., because there otherwise are not enough buyers to purchase the Adjustable Rate Bonds) or for other reasons. However, the Remarketing Agents are not obligated to purchase Adjustable Rate Bonds, and may cease doing so at any time without notice. The Remarketing Agents may also make a market in the Adjustable Rate Bonds by routinely purchasing and selling Adjustable Rate Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agents are not required to make a market in the Adjustable Rate Bonds. The Remarketing Agents may also sell any Adjustable Rate Bonds they have purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce their exposure to the Adjustable Rate Bonds. The purchase of the Adjustable Rate Bonds by the Remarketing Agents may create the appearance that there is greater third party demand for the Adjustable Rate Bonds in the market than is actually the case. The practices described above also may result in fewer Adjustable Rate Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Indenture and the Remarketing Agreements, the Remarketing Agents are required to determine the applicable rate of interest that, in their judgment, is the lowest rate that would permit the sale of the Adjustable Rate Bonds they remarket at par plus accrued interest, if any, on the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Adjustable Rate Bonds (including whether the Remarketing Agents are willing to purchase Adjustable Rate Bonds for their own account). There may or may not be Adjustable Rate Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agents may or may not be able to remarket any Adjustable Rate Bonds tendered for purchase on such date at par and the Remarketing Agents may sell Adjustable Rate Bonds outside the tender process at varying prices to different investors on such date or any other date. The Remarketing Agents are not obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the Adjustable Rate Bonds they remarket at the remarketing price. In the event a Remarketing Agent owns any Adjustable Rate Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Adjustable Rate Bonds on any date, including an interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agents may buy and sell Adjustable Rate Bonds other than through the tender process. However, they are not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Adjustable Rate Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Adjustable Rate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Adjustable Rate Bonds other than by tendering the Adjustable Rate Bonds in accordance with the tender process.

Optional Redemption

The Adjustable Rate Bonds bearing interest at Daily, Two-Day or Weekly Rates are subject to redemption prior to maturity, or purchase in lieu thereof as permitted by the Indenture, at the option of the Authority, in whole or in part, on any Optional Redemption Date and on 30 days' notice by mail to the Holders of the Bonds to be redeemed, at the principal amount thereof plus any interest accrued and unpaid thereon. Subject to the terms of the Indenture, the Authority may select amounts, rates and maturities of Adjustable Rate Bonds to be redeemed in its sole discretion.

Mandatory Redemption

The Adjustable Rate Bonds are Term Bonds subject to mandatory redemption upon 30 days' (but not more than 60 days') notice to Bondholders, by lot within each stated maturity, on each August 1 (or other Mandatory Redemption Date specified in the applicable Rate Mode) at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

Subseries A-4	
August 1,	Amount
2038	\$44,695,000
2039 ⁽¹⁾	5,305,000

Subseries A-5	
August 1,	Amount
2026	\$27,215,000
2030	21,865,000
2039 ⁽¹⁾	920,000

Subseries A-6	
August 1,	Amount
2027	\$31,285,000
2028	32,105,000
2029	32,970,000
2039 ⁽¹⁾	3,640,000

Subseries A-7	
August 1,	Amount
2035	\$40,645,000
2036	41,930,000
2037	43,280,000
2039 ⁽¹⁾	24,145,000

⁽¹⁾ Stated maturity.

At the option of the Authority, there shall be applied to or credited against any of the required amounts the principal amount of any such Adjustable Rate Bonds of the same Series that have been defeased, purchased or redeemed and not previously so applied or credited.

Defeased Adjustable Rate Bonds shall at the option of the Authority no longer be entitled, but may be subject, to the provisions thereof for mandatory redemption.

Debt Service Requirements

The following schedule sets forth, for each 12-month period ending June 30 of the years shown, the amounts required to be paid by the Authority for the payment of debt service on all Outstanding Future Tax Secured Bonds and the Series 2013 Bonds.

Fiscal Year	Outstanding Future Tax Secured Bonds Debt Service ⁽¹⁾⁽²⁾⁽³⁾		Series 2013 Bonds Debt Service ⁽¹⁾⁽²⁾			Total Future Tax Secured Bonds Debt Service ⁽¹⁾⁽²⁾⁽³⁾		
	Senior Debt Service	Subordinate Debt Service	Principal and Sinking Fund Requirements	Interest	Total	Senior Debt Service	Subordinate Debt Service	Total
2013 ...	\$346,867,588	\$1,247,852,035		\$44,485,028	\$ 44,485,028	\$346,867,588	\$1,292,337,063	\$1,639,204,651
2014 ...	247,862,564	1,351,275,805	\$41,870,000	77,384,943	119,254,943	247,862,564	1,470,530,747	1,718,393,311
2015 ...	262,791,019	1,414,042,598	74,870,000	75,259,493	150,129,493	262,791,019	1,564,172,090	1,826,963,109
2016 ...	188,052,140	1,539,095,664	61,655,000	72,335,018	133,990,018	188,052,140	1,673,085,681	1,861,137,821
2017 ...	182,112,464	1,537,835,732	62,435,000	69,373,468	131,808,468	182,112,464	1,669,644,199	1,851,756,663
2018 ...	141,148,089	1,558,610,649	65,635,000	66,551,442	132,186,442	141,148,089	1,690,797,091	1,831,945,180
2019 ...	208,500,391	1,526,380,103	66,065,000	64,131,936	130,196,936	208,500,391	1,656,577,039	1,865,077,430
2020 ...	216,667,502	1,457,991,043	66,495,000	61,743,868	128,238,868	216,667,502	1,586,229,911	1,802,897,413
2021 ...	211,058,258	1,391,389,889	67,000,000	59,170,812	126,170,812	211,058,258	1,517,560,701	1,728,618,959
2022 ...	148,654,870	1,406,065,111	73,385,000	56,366,682	129,751,682	148,654,870	1,535,816,793	1,684,471,663
2023 ...	197,844,820	1,349,213,523	70,435,000	53,507,994	123,942,994	197,844,820	1,473,156,517	1,671,001,337
2024 ...	184,248,765	1,180,287,003	77,925,000	50,552,868	128,477,868	184,248,765	1,308,764,871	1,493,013,636
2025 ...	205,479,975	1,054,221,257	73,030,000	47,438,623	120,468,623	205,479,975	1,174,689,880	1,380,169,854
2026 ...	246,669,527	968,138,707	91,115,000	43,630,125	134,745,125	246,669,527	1,102,883,832	1,349,553,359
2027 ...	372,641,554	884,009,917	92,580,000	39,049,693	131,629,693	372,641,554	1,015,639,610	1,388,281,163
2028 ...	361,286,280	843,270,906	90,795,000	34,477,255	125,272,255	361,286,280	968,543,161	1,329,829,441
2029 ...	295,403,266	792,377,182	75,645,000	30,341,818	105,986,818	295,403,266	898,364,000	1,193,767,265
2030 ...	177,239,599	779,792,821	76,500,000	26,563,760	103,063,760	177,239,599	882,856,581	1,060,096,180
2031 ...	106,168,589	745,917,596	93,100,000	22,624,255	115,724,255	106,168,589	861,641,851	967,810,440
2032 ...	74,819,975	678,019,966	78,065,000	19,508,000	97,573,000	74,819,975	775,592,966	850,412,941
2033 ...	7,067,567	675,501,224	77,850,000	17,398,375	95,248,375	7,067,567	770,749,599	777,817,166
2034 ...		637,798,949	34,495,000	16,378,000	50,873,000		688,671,949	688,671,949
2035 ...		603,602,847	34,495,000	13,303,000	47,798,000		651,400,847	651,400,847
2036 ...		569,709,186	40,645,000	9,211,880	49,856,880		619,566,066	619,566,066
2037 ...		571,085,603	41,930,000	7,147,510	49,077,510		620,163,113	620,163,113
2038 ...		543,914,617	43,280,000	5,017,260	48,297,260		592,211,877	592,211,877
2039 ...		457,724,066	44,695,000	2,817,880	47,512,880		505,236,946	505,236,946
2040 ...		219,339,818	34,010,000	850,250	34,860,250		254,200,068	254,200,068
2041 ...		59,261,050					59,261,050	59,261,050
2042 ...		35,137,050					35,137,050	35,137,050

Note: Totals may not add due to rounding.

⁽¹⁾ Figures reflect estimated debt service on tax-exempt variable rate bonds calculated at an assumed interest rate of 5% per annum and on taxable variable rate bonds at an assumed rate of 7% per annum. Figures do not reflect the federal subsidy on Build America Bonds and Qualified School Construction Bonds.

⁽²⁾ Figures include Sinking Fund Requirements deposited for payment of the principal of Qualified School Construction Bonds at maturity but not the maturing principal of Qualified School Construction Bonds.

⁽³⁾ Figures do not include debt service on bonds to be refunded with proceeds of the Refunding Bonds.

Use of Proceeds

The proceeds of the Adjustable Rate Bonds will be used to finance general City capital expenditures. Certain expenses of the Authority incurred in connection with the issuance and sale of the Adjustable Rate Bonds will be paid from the proceeds of the Adjustable Rate Bonds.

Book-Entry Only System

Beneficial ownership interests in the Authority's bonds and notes (the "Securities"), will be available in book-entry only form. References to the Securities under this caption "Book-Entry Only System" shall mean the Adjustable Rate Bonds. Purchasers of beneficial ownership interests in the Securities will not receive certificates representing their interests in the Securities purchased.

DTC, New York, New York, will act as securities depository for the Securities. The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each principal amount of Securities of each series maturing on a specific date and bearing interest at a specific interest rate, each in the aggregate principal amount of such quantity of Security, and will be deposited with DTC.

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

Purchases of the Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Securities ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts the Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participants and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Unless otherwise noted, 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 Underwriters makes 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.

THE AUTHORITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SECURITIES: (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE SECURITIES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SECURITIES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SECURITIES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFERING CIRCULAR.

THE AUTHORITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY

DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE SECURITIES; (3) THE DELIVERY BY DTC, ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE SECURITIES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC AND NONE OF THE AUTHORITY OR THE UNDERWRITERS MAKES 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 Adjustable Rate Bonds and the Indenture, see “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT” under “SECTION I: INCLUSION BY SPECIFIC REFERENCE.”

SECTION III: TAX MATTERS

In the opinion of Sidley Austin LLP, New York, New York, as Bond Counsel, interest on the Adjustable Rate Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

The Authority and the City have covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion from gross income of the interest on the Adjustable Rate Bonds for purposes of federal income taxation. In the opinion of Bond Counsel, assuming compliance by the Authority and the City with such provisions of the Code, interest on the Adjustable Rate Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation. Failure by the Authority or the City to comply with such applicable requirements may cause interest on the Adjustable Rate Bonds to be includable in the gross income of the owners thereof retroactive to the date of the issue of the Adjustable Rate Bonds. Further, Bond Counsel will render no opinion as to the effect on the exclusion from gross income of interest on the Adjustable Rate Bonds of any action taken or not taken after the date of such opinion without the approval of Bond Counsel.

Interest on the Adjustable Rate Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax, and is not included as an adjustment in calculating federal corporate alternative minimum taxable income for purposes of determining a corporation’s alternative minimum tax liability. The Code contains other provisions (some of which are noted below) that could result in tax consequences, upon which Sidley Austin LLP renders no opinion, as a result of (i) ownership of such Adjustable Rate Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

Collateral Consequences. Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Adjustable Rate Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Backup Withholding. Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting

requirement causes the payment of interest on the Adjustable Rate Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the IRS.

Future Tax Developments. Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Adjustable Rate Bonds to be subject, directly or indirectly, to federal income taxation or cause interest on the Adjustable Rate Bonds to be subject directly or indirectly to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the federal or State tax exemption or the market value of the Adjustable Rate Bonds. Prospective purchasers of the Adjustable Rate Bonds should consult their own tax advisors regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

SECTION IV: UNDERWRITING

The Subseries A-4 Bonds are being purchased for reoffering by TD Securities (USA) LLC as the Underwriter of the Subseries A-4 Bonds. TD Securities (USA) LLC has agreed, subject to certain conditions, to purchase the Subseries A-4 Bonds from the Authority at an aggregate underwriter’s discount of \$800 and to make an initial public offering of the Subseries A-4 Bonds at prices that are not in excess of the initial public offering prices set forth on the cover page of this Offering Circular. TD Securities (USA) LLC will be obligated to purchase all the Subseries A-4 Bonds if any Subseries A-4 Bonds are purchased.

The Subseries A-5 Bonds, Subseries A-6 Bonds and Subseries A-7 Bonds are being purchased for reoffering by U.S. Bank Municipal Securities Group, a division of U.S. Bank National Association (“USB MSG”), as the Underwriter of the Subseries A-5 Bonds, Subseries A-6 Bonds and Subseries A-7 Bonds. USB MSG has agreed, subject to certain conditions, to purchase the Subseries A-5 Bonds, Subseries A-6 Bonds and Subseries A-7 Bonds from the Authority at an aggregate underwriter’s discount of \$9,323.18 and to make an initial public offering of the Subseries A-5 Bonds, Subseries A-6 Bonds and Subseries A-7 Bonds at prices that are not in excess of the initial public offering prices set forth on the cover page of this Offering Circular. USB MSG will be obligated to purchase all of the Subseries A-5 Bonds, Subseries A-6 Bonds or Subseries A-7 Bonds if any of the Subseries A-5 Bonds, Subseries A-6 Bonds or Subseries A-7 Bonds, respectively, are purchased.

The delivery of each subseries of the Adjustable Rate Bonds is dependent upon the delivery of the Series 2013 A Fixed Rate Bonds.

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, including USB MSG, which is serving as Underwriter of the Subseries A-5 Bonds, Subseries A-6 Bonds and Subseries A-7 Bonds, U.S. Bancorp Investments, Inc. (“USBII”), which, along with USB MSG, is serving as Remarketing Agent for the Subseries A-5 Bonds, Subseries A-6 Bonds and Subseries A-7 Bonds, and U.S. Bank, which is providing the Liquidity Facility for the Subseries A-5 Bonds.

SECTION V: 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 Adjustable Rate Bonds are fully set forth in the Indenture. Neither any advertisement of the Adjustable Rate Bonds nor this Offering Circular are to be construed as a contract with purchasers of the Adjustable Rate Bonds.

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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DEFINITIONS

“Adjustable Rate Bonds” or *“Bonds”* means the Authority’s Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-4, Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-5, Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-6, and Future Tax Secured Tax Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 Subseries A-7, that are in the Daily Rate Mode, the Two-Day Mode or the Weekly Rate Mode.

“Authority Account” means the account so designated in the Purchase and Remarketing Fund.

“Authorized Denominations” means, during any Daily Rate Period, any Two-Day Rate Period or any Weekly Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

“Authorized Officer” means in the case of the Authority, the Chairperson, the Executive Director, the General Counsel, the Treasurer, each Deputy Treasurer or Assistant Treasurer, the Secretary, each Deputy Secretary or Assistant Secretary, their successors in office, and any other person authorized to act thereunder by appropriate Written Notice to the Trustee.

“Bank Bond” means a Purchased Bond purchased by a Subseries Bank.

“Bondholder” or *“Holder”* or *“Owner”* means any person who shall be the registered owner of any Adjustable Rate Bonds.

“Book Entry Form” or *“Book Entry System”* means a form or system under which physical Adjustable Rate Bond certificates in fully registered form are registered only in the name of the Securities Depository, with the physical certificates “immobilized” in the custody of the Securities Depository.

“Business Day” means a day other than (i) a Saturday and Sunday or (ii) a day on which the Authority, the New York Stock Exchange, the Federal Reserve Bank of New York, the Trustee, the Tender Agent, the Remarketing Agents or banks and trust companies in New York, New York, are authorized or required to remain closed.

“Conversion” means a change in the Rate Mode of an Adjustable Rate Bond. To “Convert” is the act of Conversion.

“Conversion Date” means the Business Day of a Conversion or proposed Conversion.

“Conversion Notice” means a notice of Conversion.

“Credit Facility” means a Standby Agreement, letter of credit or other credit agreement that does not specify an event of immediate termination or suspension under which the Provider is not obligated to purchase Adjustable Rate Bonds and provides for the payment of principal and interest through the purchase of Bonds in the event of the Authority’s failure to pay interest or principal when due.

“Daily Rate” means the rate at which Adjustable Rate Bonds bear interest during a Daily Rate Period.

“Daily Rate Mode” means a Rate Mode in which Adjustable Rate Bonds bear interest at a Daily Rate.

“Daily Rate Period” means a period commencing on one Business Day and extending to, but not including, the next succeeding Business Day, during which Adjustable Rate Bonds bear interest at the Daily Rate.

“Default Notice” means a notice given by a Liquidity Provider pursuant to a Standby Agreement to the effect that an event of default thereunder has occurred and that the Standby Agreement issued by such Provider will terminate on the date specified in such notice or any comparable notice.

“Direct Participant” means a participant in the book-entry system of recording ownership interests in the Adjustable Rate Bonds.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as Depository for the Adjustable Rate Bonds, or any successor Depository for any Adjustable Rate Bonds; and includes each nominee thereof.

“Electronic Means” means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Expiration Date” means the fixed date on which a Standby Agreement will expire, as such date may be extended from time to time; and includes the date of an early termination of a Standby Agreement caused by the Authority (excluding a Termination Date).

“Favorable Opinion of Bond Counsel” shall mean an opinion of nationally recognized bond counsel, to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

“Fiduciary” means each Trustee, Paying Agent or Tender Agent.

“Fitch” means Fitch, Inc., and its successors and assigns; references to Fitch are effective so long as Fitch is a Rating Agency.

“Initial Period” means the period beginning on August 28, 2012 and ending on September 5, 2012, for the Subseries A-7 Bonds; or a period specified by the Authority, beginning on a Conversion Date. The day following an Initial Period shall be a Business Day and shall not be treated as a Conversion Date.

“Initial Rate” means the rate at which Adjustable Rate Bonds bear interest during an Initial Period.

“Interest Payment Date” means each Mandatory Tender Date, redemption date, maturity date and with respect to any Daily Rate Period, any Two-Day Rate Period or any Weekly Rate Period, the first Business Day of each month.

“Issue Date” means August 28, 2012.

“LFL” means the Local Financial Law of the State, as in effect from time to time.

“Liquidity Condition” means an event of immediate termination or suspension as specified in a Liquidity Facility, upon the occurrence of which the Bank is not obligated to purchase Adjustable Rate Bonds and, accordingly, such Bonds are not subject to tender for purchase.

“Liquidity Enhanced Bonds” means the Adjustable Rate Bonds bearing interest in the Daily Rate Mode, Two-Day Mode or Weekly Rate Mode.

“Liquidity Facility” means a Standby Agreement that is not a Credit Facility.

“*Mandatory Redemption Date*” means, in each year so specified in the Adjustable Rate Bonds, for Adjustable Rate Bonds in the Daily Rate Mode, the Two-Day Mode or the Weekly Rate Mode, the first Business Day in the Maturity Month (which will be an Interest Payment Date).

“*Mandatory Tender Date*” means any date on which an Adjustable Rate Bond is subject to mandatory tender in accordance with the Indenture.

“*Maturity Month*” and “*Opposite Month*” mean the respective months indicated below:

<u>Maturity Month</u>	<u>Opposite Month</u>
August	February

“*Maximum Rate*” means nine percent (9%) per annum.

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

“*Optional Redemption Date*” means for Bonds in the Daily Rate Mode, the Two-Day Rate Mode or the Weekly Rate Mode, any Business Day.

“*Optional Tender Date*” means any Business Day during a Daily Rate Period, Two-Day Rate Period or Weekly Rate Period.

“*Paying Agent*” means the Trustee and any additional paying agent for the Adjustable Rate Bonds designated by the Authority.

“*Purchase Account*” means the account so designated in each Purchase and Remarketing Fund.

“*Purchase and Remarketing Fund*” means the Fiscal 2013 Series A Purchase and Remarketing Fund established pursuant to the Indenture.

“*Purchase Price*” means 100% of the principal amount of any Tendered Bond, plus (if not otherwise provided for) accrued and unpaid interest thereon to the Tender Date.

“*Purchased Bond*” means any Adjustable Rate Bond held by, or held by the Tender Agent on behalf of, a Provider or a Qualified Purchaser pursuant to a Standby Agreement. References to Purchased Bonds and actions taken with respect thereto in accordance with the Indenture shall include the interest of a Provider or a Qualified Purchaser in Adjustable Rate Bonds held by the Tender Agent on behalf of a Provider or a Qualified Purchaser.

“*Qualified Purchaser*” means a person in whose name a Purchased Bond may, as provided in the applicable Standby Agreement, be registered or to whom a Purchased Bond may be transferred by or upon the order of a Provider without affecting the character of such Bond as a Purchased Bond.

“*Rate*” means each Daily Rate, Two-Day Rate or Weekly Rate.

“*Rate Mode*” or “*Mode*” means the Daily Rate Mode, Two-Day Rate Mode or Weekly Rate Mode.

“*Rate Period*” means any Daily Rate Period, Two-Day Rate Period or Weekly Rate Period.

“*Rating Agency*” means each nationally recognized statistical rating organization that has, at the request of the Authority, a short-term rating in effect for the Adjustable Rate Bonds.

“Rating Category” means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such ratings by a numerical modifier or otherwise.

“Rating Confirmation” means a written notice from each Rating Agency that its rating on the Adjustable Rate Bonds will not be suspended, withdrawn or reduced (by Fitch or Moody’s), or reduced in Rating Category (by other Rating Agencies) solely as a result of action proposed to be taken under the Indenture.

“Record Date” means, with respect to each Interest Payment Date (unless otherwise specified by an Officer’s Certificate), for any Daily Rate Period, Two-Day Rate Period or Weekly Rate Period, the close of business on the Business Day preceding such Interest Payment Date.

“Remarketing Agent” means each remarketing agent for the Adjustable Rate Bonds appointed and serving in such capacity.

“Remarketing Agreement” means each Remarketing Agreement between the Authority and the Remarketing Agent for the Adjustable Rate Bonds, as in effect from time to time.

“Remarketing Proceeds Account” means the account so designated in the Purchase and Remarketing Fund which may consist of one or more accounts established for the deposit of remarketing proceeds from the remarketing of one of more subseries of the Authority’s bonds into which such remarketing proceeds may be deposited prior to the withdrawal of such proceeds to pay the purchase price of tendered bonds of that subseries.

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

“Securities Depository” or *“Depository”* or *“DTC”* means the Depository Trust Company and its nominees, successors and assigns or any other securities depository selected by the Authority which agrees to follow the procedures required to be followed by such securities depository in connection with the Adjustable Rate Bonds.

“Series Resolution” means the resolution of the Authority pursuant to which the Authority authorizes, issues, sells and delivers the Adjustable Rate Bonds.

“Standby Agreement” or *“Alternate Standby Agreement”* means an agreement providing, to the extent required by the LFL, for the purchase of any Liquidity Enhanced Bonds, as in effect from time to time.

“Standby Purchaser;” “Liquidity Provider;” “Provider;” “Subseries Bank” or *“Bank”* means any provider of a Standby Agreement then in effect for Liquidity Enhanced Bonds.

“Subseries” means the Adjustable Rate Bonds or such other Subseries of Adjustable Rate Bonds as may be identified from time to time.

“Tender Agent” means the Trustee and any additional Tender Agent appointed by the Authority.

“Tender Date” means each Optional Tender Date or Mandatory Tender Date.

“Tender Notice” means the notice delivered by the Holder of a Liquidity Enhanced Bond subject to optional tender pursuant to the Indenture.

“Tendered Bond” means an Adjustable Rate Bond mandatorily tendered or tendered at the option of the Holder thereof for purchase in accordance with the Indenture, including an Adjustable Rate Bond deemed tendered, but not surrendered on the applicable Tender Date.

“Termination Date” means the date on which a Standby Agreement will terminate as set forth in a Default Notice delivered by the Provider in accordance with the Standby Agreement.

“Trustee” means The Bank of New York Mellon and its successors as the Authority’s Trustee.

“Two-Day Rate” means the rate at which Adjustable Rate Bonds bear interest during a Two-Day Rate Period.

“Two-Day Mode” means a Rate Mode in which Adjustable Rate Bonds bear interest at a Two-Day Rate.

“Two-Day Rate Period” means a period beginning on Monday, Wednesday or Friday that is a Business Day and extending to, but not including, the next day on which a Two-Day Rate is required to be reset.

“Weekly Rate” means the rate at which Adjustable Rate Bonds bear interest during a Weekly Rate Period.

“Weekly Rate Mode” means a Rate Mode in which Adjustable Rate Bonds bear interest at a Weekly Rate.

“Weekly Rate Period” means a period of 7 days commencing on the date specified in the Indenture, on a Conversion Date or on the date (Thursday unless otherwise specified by the Authority) following a Weekly Rate Period.

“Written Notice,” “written notice” or “notice in writing” means notice in writing which may be delivered by hand or first class mail and includes Electronic Means.

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ADJUSTABLE RATE BONDS

The Adjustable Rate Bonds are subject to the provisions summarized below. Capitalized terms used in this “APPENDIX B—ADJUSTABLE RATE BONDS” that are not otherwise defined in the Offering Circular are defined in “APPENDIX A—DEFINITIONS.”

General

During a Daily Rate Period, a Two-Day Rate Period or a Weekly Rate Period, interest will be computed on a basis of a 365-day or 366-day year for the actual number of days elapsed.

Interest on the Adjustable Rate Bonds will be the interest accruing and unpaid through and including the day preceding the Interest Payment Date and will be payable on each Interest Payment Date to the registered owner thereof as shown on the registration books kept by the Trustee at the close of business on the applicable Record Date.

The Adjustable Rate Bonds are subject to mandatory tender for purchase as described under “Mandatory Tender for Purchase” and, if such Bonds are in a Daily Rate Mode, a Two-Day Rate Mode or Weekly Rate Mode, are subject to optional tender for purchase as described under “Optional Tender for Purchase.” The Adjustable Rate Bonds will continue in a Rate Mode until converted to another Rate Mode and will bear interest at a rate determined in accordance with the procedures for determining the interest rate during such Rate Mode. See “Conversion” and “Interest Rates and Reset Dates” below.

Conversion

Subject to the conditions in the Indenture, the Authority may Convert all or a portion of the Adjustable Rate Bonds by delivering a Conversion Notice to the affected Holders and, as applicable, the Remarketing Agent, the applicable Standby Purchaser, the Trustee and the Tender Agent specifying the Adjustable Rate Bonds to be converted, the Conversion Date and the Rate Mode that will be effective on the Conversion Date. The Authority must deliver such Conversion Notice not less than 15 days prior to the Conversion Date or a shorter period (not less than 10 days) if acceptable to DTC.

The Tender Agent, no later than three days after receipt of the Conversion Notice, is to give notice by first-class mail to the Holders of Bonds to be Converted, which notice must state (i) the Conversion Date; (ii) that the Adjustable Rate Bonds will not be converted unless the Authority receives on the Conversion Date a Favorable Opinion of Bond Counsel; (iii) the name and address of the principal corporate trust offices of the Trustee and Tender Agent; (iv) that the Bonds to be Converted will be subject to mandatory tender for purchase on the Conversion date at the Purchase Price; and (v) that upon the Conversion, if there is on deposit with the Tender Agent (which term includes the Trustee for this purpose) on the Conversion Date an amount sufficient to pay the Purchase Price of the Bonds so converted, such Bonds not delivered to the Tender Agent will be deemed to have been properly tendered for purchase and will cease to represent a right on behalf of the Holder thereof to the payment of principal of or interest thereon and shall represent only the right to payment of the Purchase Price on deposit with the Tender Agent, without interest accruing thereon from and after the Conversion Date.

If less than all of the Adjustable Rate Bonds of a Subseries then subject to a particular Rate Mode are to be converted to a new Rate Mode, the particular Adjustable Rate Bonds which are to be converted to a new Rate Mode will be selected by the Trustee (or, if the Authority so elects, the Authority) subject to the provisions of the Indenture regarding Authorized Denominations.

If a Favorable Opinion of Bond Counsel cannot be obtained, or if the election to Convert was withdrawn by the Authority, or if the Remarketing Agent has notified the Trustee, the Authority and the Standby Purchaser that it has been unable to remarket the Adjustable Rate Bonds on the Conversion Date, the affected Adjustable Rate Bonds

will bear interest in the Rate Mode previously in effect or, with a favorable opinion of Bond Counsel, any other Rate Mode selected by the Authority.

Interest Rates and Reset Dates

General. The rate at which the Adjustable Rate Bonds will bear interest during any Rate Period will be the rate of interest that, if borne by the Adjustable Rate Bonds for such Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities which are comparable as to federal income tax treatment, credit and maturity or tender dates with the federal income tax treatment, credit and maturity or tender dates of the Adjustable Rate Bonds, would be the lowest interest rate that would enable the Adjustable Rate Bonds to be sold at a price equal to the principal amount thereof, plus accrued interest thereon, if any. No Rate Period for Adjustable Rate Bonds will extend beyond the scheduled Expiration Date of the Standby Agreement then in effect.

Maximum Rate. The Adjustable Rate Bonds may not bear interest at a rate greater than the Maximum Rate applicable thereto.

Daily Rate. The Daily Rate for any Business Day is to be determined by the Remarketing Agent by 10:00 a.m., New York City time, on such Business Day. For any day which is not a Business Day, the Daily Rate will be the Daily Rate for the immediately preceding Business Day.

If (i) a Daily Rate for a Daily Rate Period has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Indenture, (iii) the Rate so established is held to be invalid or unenforceable with respect to a Daily Rate Period, or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Daily Rate, then the Daily Rate for such Daily Rate Period shall continue in effect for two weeks, and thereafter such Bonds shall bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

Two-Day Rate. The Two-Day Rate is to be determined by the Remarketing Agent by 10:00 a.m., New York City time, on the first day of the Two-Day Rate period and on each Monday, Wednesday and Friday thereafter so long as interest on such Bonds is to be payable at a Two-Day Rate or, if any Monday, Wednesday or Friday is not a Business Day, on the next Monday, Wednesday or Friday that is a Business Day. The Two-Day Rate set on any Business Day will be effective as of such Business Day and will remain in effect until the next day on which a Two-Day Rate is required to be set in accordance with the preceding sentence.

If (i) a Two-Day Rate for a Rate Period has not been determined, (ii) no Remarketing Agent is serving under the Indenture, (iii) the Two-Day Rate so established is held to be invalid or unenforceable with respect to any Two-Day Rate Period or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Two-Day Rate, then the Two-Day Rate for such Two-Day Rate Period shall continue in effect for two weeks, and thereafter such Bonds shall bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

Weekly Rate. Unless otherwise provided by the Authority pursuant to the Indenture, the Weekly Rate is to be determined by the Remarketing Agent by 10:00 a.m., New York City time, on the first day of the Weekly Rate Period. The Weekly Rate Period means a period commencing on the day specified by the Authority and extending to and including the sixth day thereafter, e.g., if commencing on a Thursday then extending to and including the next Wednesday.

If (i) a Weekly Rate has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Indenture, (iii) the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable with respect to a Weekly Rate Period, or (iv) pursuant to the Remarketing Agreement, the Remarketing Agent is not then required to establish a Weekly Rate, the Weekly Rate for such Weekly Rate Period

shall continue in effect for two weeks, and thereafter such Bonds shall bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

Optional Tender for Purchase

General. If a Subseries of Adjustable Rate Bonds is supported by a Credit Facility, or by a Liquidity Facility and no Liquidity Condition is in effect, the Adjustable Rate Bonds or any portion thereof equal to an Authorized Denomination may be tendered for purchase, at the Purchase Price, at the option of its registered owner on any Business Day during a Daily Rate Mode, a Two-Day Rate Mode or a Weekly Rate Mode upon giving notice of the registered owner's election to tender in the manner and at the times described below. Notice of an election to tender an Adjustable Rate Bond registered in the name of DTC is to be given by the DTC Participant on behalf of the Beneficial Owner and will not be given by DTC. Notice of the election to tender for purchase of an Adjustable Rate Bond registered in any other name is to be given by the registered owner of such Adjustable Rate Bond or its attorney-in-fact.

A DTC Participant or the registered owner of an Adjustable Rate Bond must give written notice of its irrevocable election to tender such Adjustable Rate Bond or a portion thereof for purchase at its option to the Tender Agent with a copy to the Remarketing Agent at their respective principal offices, in the case of Adjustable Rate Bonds bearing interest in a Daily Rate Mode, by no later than 10:30 a.m. on any Business Day which such Adjustable Rate Bond or portion thereof is to be purchased, in a Two-Day Rate Mode by no later than 3:00 p.m., New York City time, not less than two Business Days prior to the Business Day when such Adjustable Rate Bond or portion thereof is to be purchased and in the case of Adjustable Rate Bonds bearing interest in a Weekly Rate Mode by no later than 5:00 p.m., New York City time, on the seventh day prior to the Business Day when such Adjustable Rate Bond or portion thereof is to be purchased. In addition, the registered owner of an Adjustable Rate Bond is required to deliver such Bond to the Tender Agent at its principal corporate trust office at or prior to 1:00 p.m., New York City time, on such Optional Tender Date.

Mandatory Tender for Purchase

If a Subseries of Adjustable Rate Bonds is supported by a Credit Facility (or by a Liquidity Facility and no Liquidity Condition is in effect), the Adjustable Rate Bonds which are affected by the following actions are subject to mandatory tender and purchase at the Purchase Price on the following dates (each, a "Mandatory Tender Date"):

- (a) on each Conversion Date;
- (b) on a Business Day specified by the Tender Agent, at the direction of the Authority, which shall be not less than one Business Day prior to the substitution of a Standby Agreement or the Expiration Date of any Standby Agreement (which Standby Agreement will be drawn upon to pay the Purchase Price of unremarketed Tendered Bonds), unless a substitution is occurring and Rating Confirmation has been received from each Rating Agency; and
- (c) on a Business Day specified by the Tender Agent, as identified by the Authority, but in any event not less than one Business Day prior to the Termination Date of the Standby Agreement then in effect with respect to a Subseries of Bonds specified in a Default Notice delivered in accordance with the Standby Agreement then in effect.

Should a Credit Facility be in effect for such Subseries of Bonds, in addition to the preceding, upon any failure by the Authority to provide funds to the Trustee for the timely payment of principal or interest on the maturity or mandatory redemption date or Interest Payment Date for such Bonds, the Tender Agent shall cause a draw to be made upon such Credit Facility provider for the immediate purchase of the applicable Bonds and notice of mandatory tender to be given to each Holder of such Bonds.

A Subseries of Adjustable Rate Bonds is also subject to mandatory tender for purchase on any Optional Redemption Date, upon 10 days' notice to Holders of such Bonds, if the Authority has provided a source of payment

therefor in accordance with the Indenture and the Act; under which circumstances the Purchase Price is not payable by the applicable Liquidity Facility.

Whenever Adjustable Rate Bonds are to be tendered for purchase in accordance with (a) above, the Tender Agent is to give notice to the Holders of Adjustable Rate Bonds indicating that such Adjustable Rate Bonds are subject to mandatory tender for purchase on the date specified in such notice. The Tender Agent is to give notice by first-class mail and not less than three calendar days after receipt of the Conversion Notice. The failure of any Holder of any portion of Adjustable Rate Bonds to receive such notice will not affect the validity of such Conversion to a new Rate Mode.

Whenever Adjustable Rate Bonds are to be tendered for purchase in accordance with (b) or (c) above, the Tender Agent is to give notice to the Holders of Adjustable Rate Bonds indicating that such Bonds are subject to mandatory tender for purchase on the date specified in such notice. The Tender Agent is to give notice by first-class mail and not less than five calendar days before the Expiration Date or the Termination Date. The failure of any Holder of any portion of Adjustable Rate Bonds to receive such notice will not affect the validity of the proceedings to which such notice relates.

Bonds Deemed Purchased

The Adjustable Rate Bonds or portions thereof required to be purchased upon a tender at the option of the registered owner thereof or upon a mandatory tender will be deemed to have been tendered and purchased for all purposes of the Indenture, irrespective of whether such Adjustable Rate Bonds have been presented and surrendered to the Tender Agent, if on the Tender Date money sufficient to pay the Purchase Price thereof is held by the Tender Agent. The former registered owner of a Tendered Bond or an Adjustable Rate Bond deemed to have been tendered and purchased will have no claim thereunder or under the Indenture or otherwise for payment of any amount other than the Purchase Price.

Purchase Price and Payment

On each Tender Date, a Tendered Bond will be purchased at the applicable Purchase Price. The Purchase Price of a Tendered Bond is the principal amount of the Adjustable Rate Bond tendered, plus accrued and unpaid interest from the immediately preceding Interest Payment Date.

The Purchase Price of a Tendered Bond will be paid, in same-day funds, to DTC in accordance with DTC's standard procedures for effecting same-day payments, as described herein under the heading "Book-Entry Only System." Payment for such Bonds will be made without presentation and surrender of the Tendered Bonds to the Tender Agent and DTC will be responsible for effecting payment of the Purchase Price to the DTC Participants.

The Purchase Price of Adjustable Rate Bonds is payable solely from, and in the following order of priority, the proceeds of the remarketing of Adjustable Rate Bonds tendered for purchase, money made available by the Standby Purchaser then in effect solely with respect to the Bonds to be purchased and money furnished by or on behalf of the Authority (which has no obligation to do so).

No Extinguishment

Bonds held by the Standby Purchaser or by a Fiduciary for the account of any Standby Purchaser following payment of the purchase price of such Bonds by the Fiduciary with money provided by any Standby Purchaser shall not be deemed to be retired, extinguished or paid and shall for all purposes remain outstanding.

Liquidity Conditions

Upon the occurrence of a Suspension Event, as specified in a Liquidity Facility, the Standby Purchaser's obligations to purchase the Adjustable Rate Bonds shall immediately be suspended (but not terminated) without notice or demand to any person and thereafter the Standby Purchaser shall be under no obligation to purchase such

Bonds (nor shall such Bonds be subject to optional or mandatory tender for purchase) unless and until the Standby Purchaser's commitment is reinstated pursuant to the Liquidity Facility. Promptly upon the occurrence of such suspension condition, the Standby Purchaser shall notify the Authority, the Tender Agent and the Remarketing Agent of such suspension in writing and the Tender Agent shall promptly relay such notice to the Bondholders upon receipt; but the Standby Purchaser shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of its obligation to purchase such Bonds. If the suspension condition shall be cured as described in the Liquidity Facility, the obligations of the Standby Purchaser under the Liquidity Facility shall be reinstated (unless the Standby Purchaser's obligations shall have expired or shall otherwise have been terminated or suspended as provided in the Liquidity Facility).

Upon the occurrence of an event of immediate termination, as specified in a Liquidity Facility, the Standby Purchaser's obligation under the Liquidity Facility to purchase the related Adjustable Rate Bonds shall immediately terminate without notice or demand to any person, and thereafter the Standby Purchaser shall be under no obligation to purchase such Bonds (nor shall such Bonds be subject to optional or mandatory tender for purchase). Promptly upon the occurrence of such event the affected Standby Purchaser shall give written notice of the same to the Authority, the Tender Agent and the Remarketing Agent and the Tender Agent shall promptly relay such notice to the Bondholders upon receipt; but the affected Standby Purchaser shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of its obligation to purchase such Bonds.

Inadequate Funds for Tender

If the funds available for purchase of Adjustable Rate Bonds backed by a Standby Purchaser then in effect are inadequate for the purchase of all such Bonds tendered on any Tender Date, or a Liquidity Condition shall exist under a Liquidity Facility, then the Holders shall not have the right to require the Authority or other persons to repurchase the Adjustable Rate Bonds and the Tender Agent shall give written notice to all Bondholders of such Adjustable Rate Bonds. However, the Holders may submit their Adjustable Rate Bonds for remarketing pursuant to the procedures described herein and in the Indenture and Remarketing Agreement. Any such Adjustable Rate Bonds that cannot be remarketed shall immediately be returned to the owners thereof and shall bear interest from such Tender Date at the Maximum Rate. If a subseries of Bonds is supported by a Credit Facility, or by a Liquidity Facility and no Liquidity Condition is in effect, the obligation to deposit funds in sufficient amounts to purchase such Adjustable Rate Bonds pursuant to the Standby Agreement then in effect shall remain enforceable, and shall only be discharged at such time as funds are deposited with the Tender Agent in an amount sufficient, with the proceeds of remarketing, to purchase all such Bonds that were required to be purchased on such Tender Date, together with any interest which has accrued to the Tender Date.

Remarketing of Bonds Upon Tender

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to use its best efforts to remarket a Tendered Bond on its Tender Date at a price equal to the Purchase Price. The Remarketing Agreement sets forth, among other things, certain conditions to the Remarketing Agent's obligation to remarket Tendered Bonds.

On each Tender Date, the Remarketing Agent is to give notice by Electronic Means to the Trustee, the Tender Agent and the Authority specifying the principal amount of Adjustable Rate Bonds which have been tendered for purchase and remarketed, along with the principal amount of Tendered Bonds, if any, for which it has not arranged a remarketing. The Tender Agent is, on such Tender Date, to obtain funds under the Standby Agreement then in effect in accordance with its terms in an amount equal to the difference between the Purchase Price of the Tendered Bonds subject to purchase and the remarketing proceeds available to the Tender Agent.

Defeasance

For the purpose of determining whether Adjustable Rate Bonds shall be deemed to have been defeased, the interest to come due on such Adjustable Rate Bonds shall be calculated at the Maximum Rate; and if, as a result of

such Adjustable Rate Bonds having borne interest at less than the Maximum Rate for any period, the total amount on deposit for the payment of interest on such Adjustable Rate Bonds exceeds the total amount required, the balance shall be paid to the Authority. In addition, Adjustable Rate Bonds shall be deemed defeased only if there shall have been deposited money in an amount sufficient for the timely payment of the maximum amount of principal of and interest on such Adjustable Rate Bonds that could become payable to the Bondholders upon the exercise of any applicable optional or mandatory tender for purchase.

Standby Agreements

For each Subseries of Adjustable Rate Bonds that is not defeased and is subject to optional or mandatory tender for purchase, the Authority shall, as required by law, keep in effect one or more Liquidity Facilities or Credit Facilities for the benefit of the holders of each Subseries of Adjustable Rate Bonds. Pursuant to such Liquidity Facilities or Credit Facilities, a financially responsible party or parties other than the Authority is required to purchase all or any portion of Adjustable Rate Bonds duly tendered by the holders thereof for repurchase that cannot be remarketed. A financially responsible party or parties, for the purposes of this paragraph, shall mean a person or persons determined by the Directors of the Authority to have sufficient net worth and liquidity to purchase and pay for on a timely basis all of the Adjustable Rate Bonds which may be tendered for repurchase by the holders thereof.

Each owner of an Adjustable Rate Bond bearing interest at a Daily, Two-Day or Weekly Rate will be entitled to the benefits and subject to the terms of the Standby Agreement for such Bond. Under such Standby Agreement, the Standby Purchaser agrees to make available to the Tender Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Adjustable Rate Bonds of the stated Subseries. Mandatory purchase by a Standby Purchaser of the Adjustable Rate Bonds shall occur under the circumstances provided therefor in the Indenture, including, so long as a Credit Facility is provided or no Liquidity Condition exists under a Liquidity Facility, failure to extend or replace the Standby Agreement relating to such Subseries of Adjustable Rate Bonds and (at the option of the Standby Purchaser) other events, which may include, without limitation, breaches of covenants set forth in the Standby Agreement and/or the Reimbursement Agreement relating to a Credit Facility, defaults on other bonds of the Authority or other entities, and events of insolvency. Notwithstanding the other provisions of the Adjustable Rate Bonds and the Indenture, upon the purchase of an Adjustable Rate Bond by the Standby Purchaser, all interest accruing thereon from the last date for which interest has been paid shall accrue for the benefit of and be payable to the Standby Purchaser.

The obligation of the Standby Purchaser to purchase Adjustable Rate Bonds pursuant and subject to the terms and conditions of the Standby Agreement for such Bonds is effective so long as a Credit Facility is provided or there exists no Liquidity Condition. The obligation of the Authority to repay amounts advanced by the Standby Purchaser in respect of such Standby Purchaser's purchase of Adjustable Rate Bonds shall be evidenced by the Bonds so purchased by such Standby Purchaser.

To the extent described in the Adjustable Rate Bonds and the Standby Agreement, the Authority shall have the right to terminate the Standby Agreement, upon due notice to the Standby Purchaser, and may seek a substitute provider or providers to assume the rights and obligations of the Standby Purchaser. If the Standby Agreement is to be extended or replaced, the Authority shall give Written Notice to each affected Bondholder at least 10 days prior to the extension or replacement.

The preceding is a summary of certain provisions expected to be included in each Standby Agreement and proceedings with respect to the Adjustable Rate Bonds, and is subject in all respects to the underlying documents, copies of which will be available for inspection during business hours at the office of the Trustee. Information regarding each Standby Purchaser is included herein as "APPENDIX C—THE NORTHERN TRUST COMPANY," "APPENDIX D—U.S. BANK NATIONAL ASSOCIATION," "APPENDIX E—CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM" and "APPENDIX F—STATE STREET BANK AND TRUST COMPANY," respectively. None of the Authority or the Underwriters makes any representation with respect to the information in "APPENDIX C—THE NORTHERN TRUST COMPANY," "APPENDIX D—U.S. BANK NATIONAL ASSOCIATION," "APPENDIX E—CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM" and "APPENDIX F—STATE STREET BANK AND TRUST COMPANY."

THE NORTHERN TRUST COMPANY

The Northern Trust Company (the “Initial Bank”), a wholly owned subsidiary of Northern Trust Corporation (the “Corporation”), was founded in 1889. Headquartered in Chicago, the Initial Bank conducts business through its U.S. operations, its London and Singapore branches, and various U.S. and non-U.S. subsidiaries. The Initial Bank provides a wide array of investment management, asset and fund administration, fiduciary, and banking solutions to corporations, institutions, and affluent individuals. The Initial Bank is an Illinois State-chartered bank and a member of the Federal Deposit Insurance Corporation. It is subject to the regulations of the Illinois Office of Banks and Real Estate, the Federal Deposit Insurance Corporation and the Federal Reserve Board.

As of June 30, 2012, total assets of the Initial Bank were \$94.2 billion. Common equity capital of the Initial Bank at June 30, 2012 was \$7.1 billion.

The Corporation is a financial holding company under the Gramm-Leach-Bliley Act and was originally organized as a bank holding company in 1971 to hold all the outstanding capital stock of the Initial Bank. The Corporation conducts business through various U.S. and non-U.S. subsidiaries, including the Initial Bank, its principal subsidiary. The Corporation has offices in 18 U.S. states and 16 international locations in North America, Europe, the Middle East and the Asia-Pacific region.

Financial Information

Total assets of the Corporation averaged \$92.4 billion in the second quarter of 2012, less than 1% higher than the second quarter of 2011. As of June 30, 2012, assets totaled \$94.5 billion. Total stockholders’ equity at June 30, 2012 was \$7.4 billion as compared to \$7.0 billion at June 30, 2011.

The Corporation maintained a liquid balance sheet with securities and money market assets averaging 58% of total assets during the second quarter of 2012. Long-term debt payable of the Corporation, including Trust Preferred Securities, but excluding senior notes, was \$1.9 billion at June 30, 2012. The Corporation’s reserve for credit losses assigned to loans and leases at June 30, 2012 was \$300.3 million representing 1.01% the balance of loans and leases.

The Corporation files reports, forms and other information with the Securities and Exchange Commission (the “Commission”) in accordance with the requirements of the Securities Exchange Act of 1934, as amended. Additional information, including financial information relating to the Initial Bank, is set forth in the Annual Report on Form 10-K for the year ended December 31, 2011. The Initial Bank will provide without charge to each person to whom this Official Statement is delivered, upon the written request of such person, a copy of the most recent Annual Report to Shareholders of the Corporation, a copy of the Annual Report on Form 10-K, a copy of the most recent Quarterly Report on Form 10-Q and a copy of any Current Report on Form 8-K filed since the date of such Annual Report on Form 10-K. Written requests should be directed to: Northern Trust Corporation, 50 South LaSalle Street, Chicago, Illinois 60603, Attention: Secretary.

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APPENDIX D

U. S. BANK NATIONAL ASSOCIATION

U.S. Bank National Association (“USBNA”) is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp. At June 30, 2012, USBNA reported total assets of \$343 billion, total deposits of \$245 billion and total shareholders’ equity of \$38 billion. The foregoing financial information regarding USBNA has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices (“Call Report”), for the quarter ended June 30, 2012. The publicly available portions of the quarterly Call Reports with respect to USBNA are on file with, and available upon request from, the FDIC, 550 17th Street, NW, Washington, D.C. 20429 or by calling the FDIC at (877) 275-3342. The FDIC also maintains an Internet website at www.fdic.gov that contains reports and certain other information regarding depository institutions such as USBNA. Reports and other information about USBNA are available to the public at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL 60605.

U.S. Bancorp is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission. U.S. Bancorp is not guaranteeing the obligations of USBNA and is not otherwise liable for the obligations of USBNA.

Except for the contents of this Appendix, USBNA and U.S. Bancorp assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Offering Circular.

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APPENDIX E

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

The following information concerning CalSTRS has been provided by representatives of CalSTRS and has not been independently confirmed or verified by the Authority. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

The California State Teachers' Retirement System (CalSTRS) provides defined retirement, survivor and disability benefits to its members. California public school teachers from preschool through community college and certain other employees of the public school system are required by law to be members of CalSTRS. Contributions to the Teachers' Retirement Fund (Fund) are as follow: members - 8%, school districts and other agencies employing members of CalSTRS - 8.25%, State of California – 2.5% of the members' creditable earnings from the fiscal year ending in the prior calendar year.

CalSTRS is a component unit of the State of California, organized and operating under the laws of the State of California, including the Teachers' Retirement Law, constituting Part 13 of Division 1 of Title 1 of the Education Code of the State of California, commencing at Section 22000 (Law), as amended. The Law establishes the Teachers' Retirement Board, which has the sole and exclusive fiduciary responsibility over the administration and investment of funds held in the Fund, in which the bulk of the CalSTRS assets are held.

Financial data for June 30, 2011 are taken from the audited financial statements presented in CalSTRS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. Financial data for fiscal years ended after 2011 are incorporated by reference in this Appendix and shall be deemed to be a part hereof.

As of June 30, 2011, the Fund had net assets held in trust for pension benefits with a market value of approximately \$155.3 billion, compared to approximately \$129.8 billion as of June 30, 2010. As of June 30, 2012, total investment assets had a market value of approximately \$150.6 billion (unaudited).

The CalSTRS Credit Enhancement Program (CEP) is rated AA+/F1+ and Aa3/P-1, by Fitch Ratings and Moody's Investors Service, respectively. CalSTRS, the sponsor of the CEP, is rated AA-/A-1+ by Standard and Poor's.

CalSTRS will provide without charge and upon request, a copy of its financial statements. Requests to CalSTRS for the financial statements should be directed by mail to California State Teachers' Retirement System, P.O. Box 163749, MS-04, Sacramento, California 95816-3749, Attention: Credit Enhancement Program, or by email to cepinquiries@calstrs.com. The most recent financial statements, CAFR and other information regarding CalSTRS can be viewed at www.calstrs.com. CalSTRS investments and the CEP information can be viewed at <http://www.calstrs.com/Investments/index.aspx>.

The foregoing information has been provided by CalSTRS and is not intended to serve as a representation, warranty, or contract modification of any kind.

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APPENDIX F

STATE STREET BANK AND TRUST COMPANY

State Street Bank and Trust Company (the “Bank”) is a wholly-owned subsidiary of State Street Corporation (the “Corporation”). The Corporation (NYSE: STT) is the world’s leading provider of financial services to institutional investors including investment servicing, investment management and investment research and trading. With \$21.81 trillion in assets under custody and administration and \$1.86 trillion in assets under management, the Corporation operates in 29 countries and more than 100 markets worldwide. The consolidated total assets of the Bank as of December 31, 2011 accounted for approximately 98% of the consolidated total assets of the Corporation as of the same date. As of December 31, 2011, the Corporation had consolidated total assets of \$216.83 billion, total deposits (including deposits in non-U.S. offices) of \$157.29 billion, total loans and leases, net of unearned income and allowance for loan losses, of \$10.03 billion and total shareholders’ equity of \$19.40 billion.

The Bank’s *Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices Only -- FFIEC 031* at December 31, 2011 (the “Call Reports”), as filed with the Federal Deposit Insurance Corporation, are incorporated by reference in this Appendix and shall be deemed to be a part hereof.

In addition, all Call Reports filed by the Bank pursuant to 12 U.S.C. §324 after the date of this Offering Circular shall be deemed to be incorporated by reference in this Appendix and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and the Bank, is set forth in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2011. The Form 10-K can be found on the Corporation’s web site, www.statestreet.com. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Offering Circular are incorporated by reference in this Appendix and shall be deemed a part of this Appendix from the date of filing of any such report. The State Street/CalSTRS Liquidity Facility is an obligation of the Bank and not of the Corporation.

Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Offering Circular has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference in this Appendix, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

Neither the Bank nor its affiliates make any representation as to the contents of this Offering Circular (except as to this Appendix to the extent it relates to the Bank), the suitability of the Subseries A-6 Bonds and Subseries A-7 Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.

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PROPOSED FORM OF BOND COUNSEL OPINION

August 28, 2012

New York City Transitional Finance Authority

We have acted as bond counsel to the New York City Transitional Finance Authority (the “Authority”), a public benefit corporation organized under the laws of the State of New York (the “State”), in the Authority’s issuance of its Future Tax Secured Subordinate Bonds, Fiscal 2013 Subseries A-4, A-5, A-6 and A-7 (collectively, the “New Bonds”). The New Bonds are being issued pursuant to Chapter 16, Laws of New York, 1997, as amended (the “Act”), to the Amended and Restated Original Indenture, as restated December 1, 2010, and as supplemented (the “Indenture”), between the Authority and The Bank of New York Mellon, as Trustee, and to a Financing Agreement dated October 1, 1997, as amended (the “Agreement”), between the Authority and The City of New York (the “City”). Terms not defined herein are used as defined in the Indenture. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

The New Bonds are dated, bear interest, mature, and are subject to redemption and are secured as set forth in the Indenture. The New Bonds are Subordinate Bonds and Parity Debt payable from the Tax Revenues on a parity with the Authority’s Recovery Obligations and other Parity Debt. The Authority is authorized to issue additional bonds (together with such bonds heretofore issued and the New Bonds, the “Bonds”) on the terms and conditions set forth in the Indenture and all such Bonds shall be entitled to the benefit, protection and security of the Indenture in the order of priority set forth therein.

In rendering the opinions set forth herein, we reviewed certificates of the Authority and the City and such other agreements, documents and matters to the extent we deemed necessary to render our opinions. We have not undertaken an independent audit or investigation of the matters described or contained in the foregoing certificates, agreements and documents. We have assumed, without undertaking to verify, the genuineness of all documents and signatures presented to us; the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City; and the accuracy of the factual matters represented, warranted or certified therein.

Based on the foregoing and our examination of existing law, we are of the opinion that:

1. The Authority is a public benefit corporation duly organized and existing under the laws of the State, and is authorized under the laws of the State, particularly the Act, to enter into the Indenture and the Agreement and to issue the New Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid in all respects material to the security and sources of payment for the New Bonds.

2. The New Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding obligations of the Authority payable from the Tax Revenues pledged and the other collateral provided therefor in the Indenture. The Bonds do not constitute a debt of the State or the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority.

3. The Act validly provides for (a) the payment to the Authority (i) of the taxes so payable pursuant to § 1313 of the Tax Law (the “Personal Income Taxes”), and (ii) to the extent specified in the Act, of sales and compensating use taxes that the City is authorized by the State to impose and taxes imposed by the State pursuant to § 1107 of the Tax Law (the “Alternate Revenues,” and to the extent so payable, with the Personal Income Taxes and such other revenues, if any, as the Authority may derive directly from the State from taxes imposed by the City or the State and collected by the State, the “Tax Revenues”), (b) the Authority’s pledge to the Trustee of the Tax Revenues and all aid, rents, fees, charges, payments and other income and receipts paid or payable to the Authority or the Trustee (the “Revenues”), and (c) the application of proceeds of the Bonds to purposes of the City.

4. The Personal Income Taxes are subject neither to appropriation by the City or the State, nor to prior claims in favor of other obligations or purposes of the City or the State except as specified in §1313 of the Tax Law with respect to overpayments and the State's reasonable costs in administering, collecting and distributing such taxes. Alternative Revenues consisting of sales and compensating use taxes imposed by the City, if payable to the Authority pursuant to the Act, are not subject to appropriation by the City or the State. Upon any failure of the State Legislature to make required appropriations for State debt obligations, the 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 Tax 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 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 § 1313 of the Tax Law, 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.

6. The lien of the Indenture on the Tax Revenues for the security of the Senior Bonds and other instruments to the extent specified in the Indenture is, and pursuant to the covenant of the Authority in the Indenture will be, prior to all other liens thereon. The pledge of Tax 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.

7. The Agreement has been duly and lawfully authorized, executed and delivered by the Authority and the City pursuant to the Act, and is a valid and binding agreement of each of them.

8. The Authority is not eligible for protection from its creditors pursuant to Title 11 (the "Bankruptcy Code") of the United States Code. If the debts of the City were adjusted under the Bankruptcy Code, and the City or its creditors asserted a right to the Tax Revenues superior or equal to the rights of the holders of the Bonds, such assertion would not succeed.

9. 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 New Bonds. The adoption and compliance with all of the terms and conditions of the Indenture and the New Bonds, and the execution and delivery of the New Bonds, will not result in a violation of or be in conflict with any existing law.

10. Interest on the New Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

11. Assuming compliance by the Authority and the City with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), interest on the New Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation. The Authority and the City have covenanted to comply with such provisions of the Tax Code. Failure by the Authority or the City to comply with such provisions may cause interest on the New Bonds to be includable in the gross income of the owners thereof retroactive to the date of the issue of the New Bonds. Further, we render no opinion as to the effect on the exclusion from gross income of interest on the New Bonds of any action taken or not taken after the date of this opinion without our approval.

12. Interest on the New Bonds is not an item of tax preference for purposes of the federal individual or corporate alternative minimum tax; however, interest on the New Bonds owned by a corporation will be included in the calculation of the corporation's alternative minimum tax liability under the Tax Code.

The rights of the holders of the Bonds 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.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

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\$350,000,000

**New York City
Transitional Finance Authority
Future Tax Secured Bonds
Fiscal 2013 Series A**

**\$50,000,000 Subseries A-4
Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)**

**\$50,000,000 Subseries A-5
Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)**

**\$100,000,000 Subseries A-6
Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)**

**\$150,000,000 Subseries A-7
Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)**

OFFERING CIRCULAR

August 17, 2012

NEW ISSUE

In the opinion of Bond Counsel, interest on the Fixed Rate Bonds will be exempt from personal income taxes imposed by the State of New York (the "State") or any political subdivision thereof, including The City of New York (the "City"), and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Subseries A-1 Bonds and the Refunding Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Subseries A-2 Bonds and the Subseries A-3 Bonds will be includable in the gross income of the owners thereof for federal income tax purposes. See "SECTION VII: TAX MATTERS" herein for further information.



\$1,400,000,000

New York City Transitional Finance Authority

Future Tax Secured Bonds

\$450,000,000 Fiscal 2013 Series A

\$100,000,000 Subseries A-1
Tax-Exempt Subordinate Bonds

\$150,000,000 Subseries A-2
Taxable Subordinate Bonds
(Qualified School Construction Bonds)

\$200,000,000 Subseries A-3
Taxable Subordinate Bonds

Future Tax Secured Tax-Exempt Subordinate Bonds

\$950,000,000 Fiscal 2013 Series B

Dated: Date of Delivery

Due: As shown on inside cover page

The Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Subseries A-1 (the "Subseries A-1 Bonds"), the Future Tax Secured Taxable Subordinate Bonds (Qualified School Construction Bonds), Fiscal 2013 Subseries A-2 (the "Subseries A-2 Bonds"), the Future Tax Secured Taxable Subordinate Bonds, Fiscal 2013 Subseries A-3 (the "Subseries A-3 Bonds" and, collectively with the Subseries A-1 Bonds and the Subseries A-2 Bonds, the "Series 2013 A Fixed Rate Bonds"), and the Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Series B Bonds (the "Refunding Bonds"), are being issued by the New York City Transitional Finance Authority (the "Authority") pursuant to the New York City Transitional Finance Authority Act, as amended (the "Act"), and the Amended and Restated Original Indenture, as restated December 1, 2010, as supplemented (the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York as Trustee (the "Trustee"). The Series 2013 A Fixed Rate Bonds and the Refunding Bonds are collectively referred to herein as the "Fixed Rate Bonds."

Simultaneously with the issuance of the Fixed Rate Bonds, the Authority expects to issue its Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 in an aggregate principal amount of \$350,000,000 (the "Adjustable Rate Bonds" and, collectively with the Series 2013 A Fixed Rate Bonds, the "Series 2013 A Bonds"). The Adjustable Rate Bonds are being offered by a separate offering circular. The Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the "Series 2013 Bonds."

The Fixed Rate Bonds will be issued as Parity Debt (defined herein). Interest on and principal of the Fixed Rate Bonds are payable from Tax Revenues of the Authority subordinate to Senior Debt Service and operating expenses of the Authority and on a parity with the Authority's Recovery Obligations and other Subordinate Bonds issued on a parity with the Authority's Recovery Obligations. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS." Provided the statutory and contractual conditions are met, other Series of Bonds senior to or on a parity with the Series 2013 Bonds may be issued. See "SECTION V: THE AUTHORITY—Other Authority Obligations."

Pursuant to the Act, the Fixed Rate Bonds are payable from the Tax Revenues of the Authority derived from collections of personal income taxes and of sales and compensating use taxes imposed by the City. Such taxes are imposed pursuant to statutes enacted by the State. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS."

The Fixed Rate Bonds will be issued only in fully registered form, registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"). Purchasers will not receive physical delivery of the Fixed Rate Bonds. Principal, redemption price and interest will be payable to DTC by the Trustee. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursements to the purchasers of the Fixed Rate Bonds are the responsibility of the DTC Participants.

Purchases of the Fixed Rate Bonds will be made in book-entry form in denominations of \$5,000 and integral multiples thereof. Interest on the Series 2013 A Fixed Rate Bonds accrues from the dated date, and is payable on each February 1 and August 1, commencing February 1, 2013. Interest on the Refunding Bonds accrues from the dated date, and is payable on each May 1 and November 1, commencing November 1, 2012.

The Fixed Rate Bonds are subject to redemption prior to maturity as described herein.

THE SERIES 2013 BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A SUBORDINATE LIEN ON TAX REVENUES OF THE AUTHORITY AND CERTAIN ACCOUNTS HELD BY THE TRUSTEE. THE SERIES 2013 BONDS ARE NOT A DEBT OF EITHER THE STATE OR THE CITY, AND NEITHER THE STATE NOR THE CITY SHALL BE LIABLE THEREON, NOR SHALL THE SERIES 2013 BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN TAX REVENUES OF THE AUTHORITY AND CERTAIN ACCOUNTS HELD BY THE TRUSTEE.

The Subseries A-1 Bonds and the Refunding Bonds are being offered to the public, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters. The Subseries A-2 Bonds and the Subseries A-3 Bonds are being offered to the public when, as and if issued by the Authority, pursuant to two separate notices of sale. The issuance of the Fixed Rate Bonds is subject to the approval of legality of the Fixed Rate Bonds and certain other matters by Sidley Austin LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the New York City Corporation Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, New York, New York. It is expected that the Fixed Rate Bonds will be available for delivery in New York, New York, on or about August 28, 2012.

BofA Merrill Lynch
Citigroup

Barclays
J.P. Morgan

Goldman, Sachs & Co.
Morgan Stanley

Cabrera Capital Markets, Inc.
Jefferies
Ramirez & Co., Inc.
Siebert Brandford Shank & Co. LLC

Fidelity Capital Markets
Loop Capital Markets LLC
Rice Financial Products Company

Jackson Securities
M.R. Beal & Company
Roosevelt and Cross Incorporated
Wells Fargo Bank, N.A.

Oppenheimer & Co., Inc.
Southwest Securities, Inc.

Raymond James | Morgan Keegan

RBC Capital Markets
Stifel Nicolaus

August 9, 2012

\$1,400,000,000
New York City Transitional Finance Authority

Future Tax Secured Bonds
\$450,000,000 Fiscal 2013 Series A

\$100,000,000

Subseries A-1 Tax-Exempt Subordinate Bonds

Due August 1,	Principal Amount	Interest Rate	Yield	CUSIP Number⁽¹⁾
2014	\$19,340,000	4%	0.30%	64971QWN9
2015	3,615,000	4	0.53	64971QWV1
2015	6,415,000	2	0.53	64971QWP4
2015	10,080,000	5	0.53	64971QWX7
2016	740,000	4	0.68	64971QWW9
2016	2,270,000	3	0.68	64971QWQ2
2016	17,880,000	5	0.68	64971QWY5
2017	2,545,000	2	0.89	64971QWR0
2017	3,840,000	5	0.89	64971QWZ2
2024 ⁽²⁾	305,000	3	2.35	64971QWS8
2024 ⁽²⁾	710,000	5	2.35	64971QXA6
2025 ⁽²⁾	29,005,000	5	2.44	64971QWT6
2026	955,000	2½	2.55	64971QWU3
2026 ⁽²⁾	2,300,000	5	2.55	64971QXB4

\$150,000,000

Subseries A-2 Taxable Subordinate Bonds
(Qualified School Construction Bonds)

\$150,000,000 4.10% Fiscal 2013 Subseries A-2 Bonds due August 1, 2034—Yield 3.78% CUSIP Number 64971QWD1⁽¹⁾

\$200,000,000

Subseries A-3 Taxable Subordinate Bonds

Due August 1,	Principal Amount	Interest Rate	Price	CUSIP Number⁽¹⁾
2017	\$17,705,000	1.44%	100%	64971QWE9
2018	24,520,000	1.80	100	64971QWF6
2019	24,950,000	1.95	100	64971QWG4
2020	25,455,000	2.36	100	64971QWH2
2021	26,070,000	2.46	100	64971QWJ8
2022	26,715,000	2.56	100	64971QWK5
2023	27,415,000	2.71	100	64971QWL3
2024	27,170,000	2.85	100	64971QWM1

Footnotes set forth on following page.

Future Tax Secured Tax-Exempt Subordinate Bonds
\$950,000,000 Fiscal 2013 Series B

Due November 1,	Principal Amount	Interest Rate	Price or Yield	CUSIP Number⁽¹⁾
2013	\$41,870,000	3%	0.20%	64971QXC2
2014	55,530,000	4	0.30	64971QXD0
2015	41,545,000	5	0.58	64971QXE8
2016	41,545,000	5	0.73	64971QXF5
2017	41,545,000	5	0.95	64971QXG3
2018	12,735,000	3	1.25	64971QXH1
2018	28,810,000	5	1.25	64971QXY4
2019	5,155,000	4	1.54	64971QXJ7
2019	36,390,000	5	1.54	64971QXZ1
2020	1,470,000	2	1.81	64971QXK4
2020	40,075,000	5	1.81	64971QYA5
2021	3,270,000	4	2.02	64971QXL2
2021	44,045,000	5	2.02	64971QYB3
2022	4,230,000	2	2.15	64971QXM0
2022	39,490,000	5	2.15	64971QYC1
2023 ⁽³⁾	5,060,000	3	2.26	64971QXN8
2023 ⁽³⁾	45,450,000	5	2.26	64971QYD9
2024 ⁽³⁾	44,845,000	5	2.36	64971QXP3
2025 ⁽³⁾	62,110,000	5	2.45	64971QXQ1
2026 ⁽³⁾	62,110,000	5	2.55	64971QXR9
2027 ⁽³⁾	59,510,000	5	2.62	64971QXS7
2028	2,045,000	2½	2.70	64971QXT5
2028 ⁽³⁾	41,495,000	5	2.69	64971QYF4
2029 ⁽³⁾	43,530,000	5	2.76	64971QXU2
2030 ⁽³⁾	59,215,000	5	2.82	64971QXV0
2031 ⁽³⁾	43,570,000	5	2.88	64971QXW8
2032	6,350,000	3	100	64971QXX6
2032 ⁽³⁾	37,005,000	5	2.94	64971QYE7

⁽¹⁾ Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Fixed Rate Bonds and none of the Authority, the Underwriters or the Initial Purchasers makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Fixed Rate Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Fixed Rate Bonds.

⁽²⁾ Priced to first optional call on August 1, 2022.

⁽³⁾ Priced to first optional call on November 1, 2022.

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Certain information in this Offering Circular has been provided by the City 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. No dealer, broker, salesperson or other person has been authorized by the Authority, the Underwriters or the Initial Purchasers to give any information or to make any representation with respect to the Fixed Rate Bonds, 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 Fixed Rate Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriters and the Initial Purchasers have reviewed the information in this Offering Circular in accordance with their responsibilities to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriters and the Initial Purchasers do not guaranty the accuracy or completeness of such information.

This Offering Circular includes forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the City and the amount of 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, the Underwriters or the Initial Purchasers 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.

IN CONNECTION WITH OFFERS AND SALES OF THE FIXED RATE BONDS, NO ACTION HAS BEEN TAKEN BY THE AUTHORITY THAT WOULD PERMIT A PUBLIC OFFERING OF THE FIXED RATE BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE FIXED RATE BONDS, THIS OFFERING CIRCULAR OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE FIXED RATE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE UNDERWRITERS AND THE INITIAL PURCHASERS ARE OBLIGATED TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION IN WHICH THEY PURCHASE, OFFER OR SELL THE FIXED RATE BONDS OR POSSESS OR DISTRIBUTE THIS OFFERING CIRCULAR OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE FIXED RATE BONDS AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY THEM FOR THE PURCHASE, OFFER OR SALE BY THEM OF THE FIXED RATE BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION TO WHICH THEY ARE SUBJECT OR IN WHICH THEY MAKE SUCH PURCHASES, OFFERS OR SALES AND THE AUTHORITY SHALL HAVE NO RESPONSIBILITY THEREFOR.

THE FIXED RATE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY BODY. 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.

MARKS PANETH & SHRON LLP, THE AUTHORITY’S INDEPENDENT AUDITOR, HAS NOT REVIEWED, COMMENTED ON OR APPROVED, AND IS NOT ASSOCIATED WITH, THIS OFFERING

CIRCULAR. THE REPORT OF MARKS PANETH & SHRON LLP RELATING TO THE AUTHORITY'S FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010, WHICH IS A MATTER OF PUBLIC RECORD, IS INCLUDED IN THIS OFFERING CIRCULAR. HOWEVER, MARKS PANETH & SHRON LLP HAS NOT PERFORMED ANY PROCEDURES ON ANY FINANCIAL STATEMENTS OR OTHER FINANCIAL INFORMATION OF THE AUTHORITY, INCLUDING WITHOUT LIMITATION ANY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR, SINCE THE DATE OF SUCH REPORT AND HAS NOT BEEN ASKED TO CONSENT TO THE INCLUSION OF ITS REPORT IN THIS OFFERING CIRCULAR.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS, WITH RESPECT TO THE SUBSERIES A-1 BONDS AND THE REFUNDING BONDS, THE SUBSERIES A-2 INITIAL PURCHASER, WITH RESPECT TO THE SUBSERIES A-2 BONDS, AND THE SUBSERIES A-3 INITIAL PURCHASER, WITH RESPECT TO THE SUBSERIES A-3 BONDS, MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE FIXED RATE BONDS 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 Offering Circular and not defined herein are defined in “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”

Issuer The New York City Transitional Finance Authority (the “Authority”) is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the “State”) created by the New York City Transitional Finance Authority Act (as amended, the “Act”).

Securities Offered The following Bonds of the Authority are to be issued pursuant to the Amended and Restated Original Indenture, as restated December 1, 2010 (as supplemented, the “Indenture”), by and between the Authority and The Bank of New York Mellon, New York, New York, as trustee (the “Trustee”):

\$100,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Subseries A-1 (the “Subseries A-1 Bonds”);

\$150,000,000 Future Tax Secured Taxable Subordinate Bonds (Qualified School Construction Bonds), Fiscal 2013 Subseries A-2 (the “Subseries A-2 Bonds”);

\$200,000,000 Future Tax Secured Taxable Subordinate Bonds, Fiscal 2013 Subseries A-3 (the “Subseries A-3 Bonds” and, collectively with the Subseries A-1 Bonds and the Subseries A-2 Bonds, the “Series 2013 A Fixed Rate Bonds”); and

\$950,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Series B (the “Refunding Bonds”).

The Series 2013 A Fixed Rate Bonds and the Refunding Bonds are collectively referred to herein as the “Fixed Rate Bonds.” The Fixed Rate Bonds will be issued as fixed rate bonds. Simultaneously with the issuance of the Fixed Rate Bonds, the Authority expects to issue its Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 in an aggregate principal amount of \$350,000,000 (the “Adjustable Rate Bonds” and, collectively with the Series 2013 A Fixed Rate Bonds, the “Series 2013 A Bonds”). The Adjustable Rate Bonds are being offered by a separate offering circular. The Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the “Series 2013 Bonds.”

The Series 2013 Bonds, along with other series of bonds secured by Tax Revenues, are referred to herein as “Future Tax Secured Bonds.” Future Tax Secured Bonds, together with all other series of bonds heretofore or hereafter issued under the Indenture, are referred to herein as the “Bonds.” The Series 2013 Bonds will be issued as Parity Debt subordinate to Senior Debt Service and operating expenses of the Authority. The Series 2013 Bonds will be issued on a parity with the Authority’s Recovery Obligations and other Subordinate Bonds issued

	<p>on a parity with Recovery Obligations (together, “Parity Debt”). See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS.”</p> <p>The Subseries A-2 Bonds will be issued as “Qualified School Construction Bonds” for which the Authority will elect to receive a cash subsidy payment from the United States Treasury. Such cash subsidy payments will not be pledged to the holders of the Fixed Rate Bonds. See “SECTION IV: THE SERIES 2013 FIXED RATE BONDS.”</p>
The Offering	The Subseries A-1 Bonds and the Refunding Bonds are being offered to the public, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters. The Subseries A-2 Bonds and the Subseries A-3 Bonds are being offered to the public when, as and if issued by the Authority, pursuant to two separate notices of sale.
Trustee	The Bank of New York Mellon, New York, New York, acts as the Authority’s trustee.
Servicer.....	The New York State Department of Taxation and Finance collects the Tax Revenues, which consist of Personal Income Tax Revenues and Sales Tax Revenues, each as defined herein, and reports the amount of such collections to the State Comptroller. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Servicing.”
Disbursement Agent	The State Comptroller holds Personal Income Tax Revenues in trust for the Authority and deposits such Tax Revenues with the Trustee for payment of Debt Service and other expenses of the Authority. Sales Tax collections are remitted to the State Comptroller who then transfers Sales Tax Revenues to the Authority, if and to the extent that Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of the maximum annual debt service on the Authority’s Outstanding Bonds, in such amount as is necessary to provide at least 150% of such maximum annual debt service on Outstanding Bonds. Payment of Sales Tax collections to the Authority is not subject to City or State appropriation.
Not Debt of State or City	The Bonds are not a debt of either the State or the City, and neither the State nor the City shall be liable thereon. The Bonds are not payable out of any funds other than those of the Authority. Based on State and federal constitutional, statutory and case law and the terms of the Indenture and the Agreement, Bond Counsel is of the opinion that the Authority is not eligible for protection from its creditors pursuant to Title 11 (the “Bankruptcy Code”) of the United States Code; and if the debts of the City were adjusted under the Bankruptcy Code and the City or its creditors were to assert a right to the Tax Revenues equal or prior to the rights of the Holders of Future Tax Secured Bonds, such assertion would not succeed.
Purpose of Issue.....	The proceeds of the Subseries A-1 Bonds will be used to finance general City capital expenditures. The proceeds of the Subseries A-2 Bonds will be used to finance all or a portion of the costs of construction, rehabilitation or repair of public schools, including the furnishing and equipping of such schools and the acquisition of land on which such

schools are to be constructed. The proceeds of the Subseries A-3 Bonds will be used for other discrete capital purposes. The proceeds of the Refunding Bonds will be used to redeem, at or prior to maturity, the Future Tax Secured Bonds identified in APPENDIX D hereto (the “Refunded Bonds”) by providing for the payment of the principal of and interest and redemption premium, if any, on the Refunded Bonds to the extent and to the payment dates shown on APPENDIX D. The proposed refunding is subject to the delivery of the Refunding Bonds. The Refunded Bonds were issued to finance general City capital expenditures. Certain expenses of the Authority incurred in connection with the issuance of the Series 2013 Bonds will be paid from the proceeds of the Series 2013 Bonds.

Tax Revenues The Series 2013 Bonds are payable from the Tax Revenues, which consist of Personal Income Tax Revenues and Sales Tax Revenues. The Act provides that the Authority’s Tax Revenues are not funds of the City.

The term “Personal Income Tax Revenues” means the collections from the Personal Income Tax less overpayments and State administrative costs. The term “Personal Income Tax” means the tax imposed by the City, as authorized by the State, on the income of City residents and, while applicable, on nonresident earnings in the City.

Since the adoption of the Personal Income Tax in 1966, Personal Income Tax Revenues have risen from approximately \$130 million to approximately \$7.6 billion in fiscal year 2011. Personal Income Tax Revenues are projected to be approximately \$8.0 billion, \$8.5 billion, \$8.6 billion, \$9.2 billion and \$9.5 billion in fiscal years 2012 through 2016, respectively. Payment of Personal Income Tax Revenues to the Authority as required by the Act is not subject to State or City appropriation.

The term “Sales Tax Revenues” means the collections from the Sales Tax less (i) expenses of the New York State Financial Control Board and the Office of the State Deputy Comptroller (“State Oversight Retention Requirements”) and (ii) State administrative costs. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Sales Tax.” The term “Sales Tax” means the sales and compensating use tax imposed by the City on the sale and use of tangible personal property and services in the City. Sales Tax is imposed on most categories of property and services at a rate of 4.5%. Sales Tax collections are not subject to City or State appropriation. Pursuant to the Act, Sales Tax Revenues will be available for the payment of the Future Tax Secured Bonds if Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of the maximum annual debt service on the Authority’s Outstanding Bonds. Since the inception of the Sales Tax in fiscal year 1934, Sales Tax Revenues have increased to approximately \$5.6 billion in fiscal year 2011. Sales Tax Revenues are projected to be approximately \$5.9 billion, \$6.1 billion, \$6.4 billion, \$6.6 billion and \$6.9 billion in fiscal years 2012 through 2016, respectively.

Enabling Legislation..... The Act, which became effective March 5, 1997, provides for the issuance of (i) Bonds and Notes to finance and refinance general City capital purposes, (ii) Recovery Obligations (defined herein) to finance and refinance costs relating to the World Trade Center attack, and (iii) Building Aid Revenue Bonds (defined herein) to finance and refinance portions of the City’s educational facilities capital plan. The Act provides for the payment of such obligations from Revenues and the statutory and contractual covenants of the Authority, the City and the State. Future Tax Secured Bonds including Recovery Obligations are secured by Tax Revenues. Building Aid Revenue Bonds are not Future Tax Secured Bonds, are not secured by Tax Revenues and are secured by the payment of State Building Aid (defined herein) to the Authority.

The Act has been amended several times to increase the amount of debt the Authority is authorized to issue. Most recently, the Act was amended by Chapter 182 of the Laws of New York, 2009, which permits the Authority to have outstanding \$13.5 billion of Future Tax Secured Bonds (including Senior Bonds and Parity Debt but excluding Recovery Obligations). In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of July 31, 2012, the City’s and the Authority’s combined debt-incurring capacity was approximately \$23.6 billion. The statutory debt limits are binding on the Authority but are not covenants with Bondholders and are subject to change by legislation adopted by the State.

The Authority’s contracts with its Bondholders, including limitations on Senior Bonds, coverage tests and other restrictions on the issuance of additional Bonds, are described herein and are set forth in the Indenture. Those contracts can be changed only in accordance with the provisions of the Indenture relating to amendments thereto. See “—Additional Authority Indebtedness,” “SECTION V: THE AUTHORITY—Other Authority Obligations” and “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.” For information relating to anticipated issuance of Future Tax Secured Bonds, see “SECTION V: THE AUTHORITY—Plan of Finance.”

Additional Authority Indebtedness..... The Indenture provides that Bonds and Notes of the Authority may be issued only: (i) as Senior Bonds (or Notes in anticipation thereof) to pay or reimburse Project Capital Costs, or refund or renew such Bonds or Notes, but not to exceed \$12 billion in Outstanding principal amount and subject to a \$330 million limit on Quarterly Debt Service to be payable; or (ii) as Subordinate Bonds (or Notes in anticipation thereof), with Rating Confirmation; but no Series of Senior Bonds shall be authenticated and delivered without Rating Confirmation unless the amount of collections of Tax Revenues for the twelve consecutive calendar months ended not more than two 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 Senior Debt Service, including debt service on such Series of Bonds proposed to be issued, for each fiscal year such bonds will be Outstanding. See “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”

Parity Debt or Notes in anticipation thereof (which are subordinate to Senior Bonds and Notes) may be issued, provided that collections of Tax Revenues for the most recent fiscal year ended at least two months prior to the date of such issuance are, for each fiscal year during which such proposed Parity Debt is to be outstanding, at least three times the sum of \$1.32 billion (Covenanted Maximum Annual Debt Service for Senior Bonds) and annual debt service on Outstanding Parity Debt, together with the Series proposed to be issued. See “SECTION V: THE AUTHORITY—Other Authority Obligations.”

Outstanding Authority Indebtedness The Authority has Outstanding \$20,952,965,000 of Future Tax Secured Bonds consisting of \$3,580,940,000 of Senior Bonds and \$17,372,025,000 of Parity Debt (including \$1,371,700,000 of Recovery Obligations), which are the only Subordinate Bonds payable from the Tax Revenues. Of such Senior Bonds, \$1,177,500,000 are variable rate bonds. Of such Parity Debt, \$2,123,600,000 are variable rate bonds. The Authority expects to issue additional Future Tax Secured Bonds, including Senior Bonds and Parity Debt, from time to time for general City purposes and for refunding purposes. For information relating to anticipated issuance of Future Tax Secured Bonds, see “SECTION V: THE AUTHORITY—Plan of Finance.” The Authority has Outstanding \$6,148,780,000 of Building Aid Revenue Bonds and expects to issue additional Building Aid Revenue Bonds in the future. All of the Building Aid Revenue Bonds are fixed rate bonds. Currently, the Authority has no Senior Agreements. See “SECTION V: THE AUTHORITY—Other Authority Obligations” and “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”

State and City Covenants..... The Act and the Indenture contain the covenant of the State with the Bondholders (the “State Covenant”) that the State shall not limit or alter 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 or the security for the Bonds until such Bonds, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged. The State Covenant does not restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Tax, but such taxes payable to the Authority will in all events continue to be so payable so long as any such taxes are imposed.

The Act and the Indenture also contain the covenant of the State that in the event Personal Income Tax Revenues payable to the Authority during any fiscal year are projected by the Mayor of the City to be insufficient to provide at least 150% of maximum annual debt service on Outstanding Bonds, the State Comptroller shall pay to the Authority from Sales Tax Revenues such amount as is necessary to provide at least 150% of such maximum annual debt service on Outstanding Bonds. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Sales Tax.” The State is not obligated to make any additional payments or impose any taxes to satisfy the debt service obligations of the Authority.

In accordance with the Act, the City has pledged and agreed with the holders of the Bonds (the “City Covenant”) that the City will not limit or alter 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 Bonds until the Bonds are fully paid and discharged. Nothing contained in the Act or the Agreement restricts any right the City may have to amend, modify, repeal or otherwise alter local laws imposing or relating to the Personal Income Tax Revenues payable to the Authority so long as, after giving effect to such amendment, modification or other alteration, the amount of Tax Revenues projected by the Mayor 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 150% of maximum annual debt service on Outstanding Bonds.

For more information regarding the State and City Covenants, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Agreements of the State and the City.”

Interest and Principal Interest on the Series 2013 A Fixed Rate Bonds will accrue from their dated date at the rates set forth on the inside cover page hereof and will be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2013. Interest on the Refunding Bonds will accrue from their dated date at the rates set forth on the inside cover page hereof and will be payable semiannually on May 1 and November 1 of each year, commencing November 1, 2012. The record date for payment of interest on the Fixed Rate Bonds is the fifteenth day of the calendar month immediately preceding the interest payment date.

Principal of the Fixed Rate Bonds will be due as shown on the inside cover page and herein.

Principal of and interest on the Fixed Rate Bonds will be paid from Tax Revenues on deposit in the Recovery and Parity Debt Account or Redemption Account, if applicable. Tax Revenues shall be deposited into the Recovery and Parity Debt Account in accordance with the retention schedule as described in “Retention Procedures” below.

Mandatory Redemption The Subseries A-2 Bonds are subject to extraordinary mandatory redemption under certain circumstances as described herein. See “SECTION IV: THE SERIES 2013 FIXED RATE BONDS—Mandatory Redemption—*Extraordinary Mandatory Redemption of Subseries A-2 Bonds.*”

Optional Redemption..... The Subseries A-1 Bonds maturing before August 1, 2024 are not subject to optional redemption prior to their stated maturity dates. The Subseries A-1 Bonds maturing on or after August 1, 2024 are subject to optional redemption at par prior to their stated maturity dates at the option of the Authority, in whole or in part, on any date on or after August 1, 2022 as described herein. See “SECTION IV: THE SERIES 2013 FIXED RATE BONDS—Optional Redemption—*Optional Redemption of Subseries A-1 Bonds.*”

The Refunding Bonds maturing before November 1, 2023 are not subject to optional redemption prior to their stated maturity dates. The Refunding Bonds maturing on or after November 1, 2023 are subject to optional redemption at par prior to their stated maturity dates at the option of the Authority, in whole or in part, on any date on or after

	<p>November 1, 2022 as described herein. See “SECTION IV: THE SERIES 2013 FIXED RATE BONDS—Optional Redemption—<i>Optional Redemption of Refunding Bonds</i>.”</p> <p>The Subseries A-2 Bonds and the Subseries A-3 Bonds are subject to make-whole optional redemption prior to their stated maturity dates at the option of the Authority, in whole or in part, on any date as described herein. See “SECTION IV: THE SERIES 2013 FIXED RATE BONDS—Optional Redemption—<i>Make-Whole Optional Redemption of Subseries A-2 Bonds</i>” and “—<i>Make-Whole Optional Redemption of Subseries A-3 Bonds</i>.”</p> <p>The Subseries A-2 Bonds are subject to extraordinary optional redemption prior to their stated maturity dates at the option of the Authority, in whole or in part, on any date as described herein. See “SECTION IV: THE SERIES 2013 FIXED RATE BONDS—Optional Redemption—<i>Make-Whole Extraordinary Optional Redemption of Subseries A-2 Bonds</i>.”</p>
Form and Denomination.....	<p>The Fixed Rate Bonds will be issued only in fully registered form registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”).</p> <p>The Fixed Rate Bonds will be denominated in principal amounts of \$5,000 and integral multiples thereof.</p>
Indenture.....	<p>The Indenture provides for the issuance of the Bonds and 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 City and the State. See “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”</p>
Financing Agreement	<p>The Financing Agreement, dated October 1, 1997, as amended and supplemented, between the Authority and the City, provides for the application of proceeds of the Authority’s Bonds and Notes to fund capital expenditures of the City and Recovery Costs and to refund the Authority’s Bonds and includes covenants of the City and the City’s agreement to hold the Authority harmless against claims related to the Projects.</p>
Collection Account.....	<p>The State Comptroller is required by the Act, commencing on or before the fifteenth day of each month, to pay the Personal Income Tax Revenues on a daily basis directly to the Trustee for application in accordance with the Indenture. While the State Comptroller is required by statute to transfer the Personal Income Tax Revenues on or prior to the fifteenth day of each month, current practice of the State Comptroller is to transfer such funds commencing on the first day of each month. See “Application of Tax Revenues” below.</p> <p>All Tax Revenues received by the Authority shall be promptly deposited into the Tax Revenue Subaccount of the Collection Account.</p>
Bond Account.....	<p>The Bond Account is held by the Trustee in accordance with the terms of the Indenture. The Trustee shall deposit amounts from the Tax</p>

	Revenue Subaccount of the Collection Account into the Bond Account in accordance with the Retention Procedures described below for the payment of Senior Debt Service.
Recovery and Parity Debt Account	The Recovery and Parity Debt Account is held by the Trustee in accordance with the terms of the Indenture. Following required deposits to the Bond Account for Senior Debt Service and payment of Authority operating expenses in accordance with the terms of the Indenture, the Trustee shall transfer all Tax Revenues to the Recovery and Parity Debt Account in accordance with the Retention Procedures described below for the payment of debt service on Recovery Obligations and other Parity Debt including, among other obligations, the Series 2013 Bonds.
Application of Tax Revenues	All Tax Revenues in the Tax Revenue Subaccount of the Collection Account shall be applied upon receipt by the Trustee in the following order of priority: <u>first</u> , to the Bond Account to pay Senior Debt Service in accordance with the Retention Procedures described in the paragraph below; <u>second</u> , to the Authority's operating expenses, including deposits to the Redemption Account for optional redemption, and any reserves held by the Authority for payment of operating expenses; <u>third</u> , pursuant to Supplemental Indentures, to the Recovery and Parity Debt Account or otherwise for the benefit of holders of Parity Debt (including Bondholders of the Series 2013 Bonds), Subordinate Bondholders, and parties to ancillary and swap contracts, to the extent such Supplemental Indentures may require application of Tax Revenues to pay items after payments of Senior Debt Service and operating expenses; <u>fourth</u> , pursuant to each Officer's Certificate making reference to this level of priority in accordance with the Indenture; and <u>fifth</u> , to the City as soon as available but not later than the last day of each month, excess Tax Revenues, free and clear of the lien of the Indenture.
Retention Procedures	On the first business day of each Collection Quarter, which commences on the first day of each August, November, February and May, the Trustee shall begin to transfer all Tax Revenues from the Tax Revenue Subaccount of the Collection Account in proportion to the unfunded balance of the Bond Account in an amount equal to one-half of the Senior Debt Service payable from the Bond Account due in the three-month period following the Collection Quarter (each such period, a "Payment Period," and the total amount due in each Payment Period is the "Quarterly Payment Requirement") until the Quarterly Payment Requirement is held in the Bond Account. After retention for Debt Service in the manner described above and payment of Authority operating expenses, at the beginning of each Collection Quarter, the Trustee shall begin to transfer all Tax Revenues in proportion to the unfunded balance with respect to each subaccount of the Recovery and Parity Debt Account, equal to one-half of Quarterly Subordinate Debt Service payable from the Recovery and Parity Debt Account until the full amount of Quarterly Subordinate Debt Service is held in each subaccount of the Recovery and Parity Debt Account. The foregoing payments shall be cumulative so that any shortage in the first month of a Collection Quarter will become part of the funding obligation in the second month of the Collection Quarter and, if necessary, the third month of the Collection Quarter. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Retention Procedures."

Sinking Fund	<p>Principal of the Series 2013 A Bonds will be paid through the Sinking Fund Subaccount (the “Sinking Fund”) of the Recovery and Parity Debt Account. Interest will be paid through the Recovery and Parity Debt Account exclusive of the Sinking Fund.</p> <p>Principal of the Subseries A-1 Bonds, the Subseries A-3 Bonds and the Adjustable Rate Bonds will be retained in the Sinking Fund during the Collection Quarter immediately preceding each maturity or mandatory redemption date, as applicable.</p> <p>Principal of the Subseries A-2 Bonds will be provided for by annual retention in the Sinking Fund (by each August 1, the “Sinking Fund Requirement”), in amounts that are scheduled to be sufficient, together with retained earnings thereon, to pay the maturing principal of the Subseries A-2 Bonds at maturity. The Sinking Fund Requirements are shown in “SECTION IV: THE SERIES 2013 FIXED RATE BONDS—Qualified School Construction Bonds” herein. Such amounts will be reduced by earnings realized on Eligible Investments in the Sinking Fund. The Sinking Fund Requirements for the Subseries A-2 Bonds will be retained in the Collection Quarter preceding August 1, 2030, and each August 1 thereafter until maturity of the Subseries A-2 Bonds.</p> <p>The transfers and payments under the Indenture shall be appropriately adjusted by the Authority to reflect, among other things, expected Revenues, amounts needed or held in the Sinking Fund, and any purchase or redemption of Bonds, so that there will be available on each payment date the amount necessary to pay principal of and interest on the Fixed Rate Bonds from the designated source of Revenues.</p>
Defeasance.....	The Authority will have the ability to defease any Bonds under the Indenture by depositing Defeasance Collateral with a trustee to provide for payment of principal, interest and premium, if any, thereon. See “SECTION IV: THE SERIES 2013 FIXED RATE BONDS—Defeasance.”
Tax Matters.....	In the opinion of Sidley Austin LLP, Bond Counsel to the Authority, interest on the Fixed Rate Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City; assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Subseries A-1 Bonds and the Refunding Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Subseries A-2 Bonds and the Subseries A-3 Bonds will be includable in gross income of the owners thereof for federal income tax purposes. See “SECTION VII: TAX MATTERS.”
Ratings.....	The Fixed Rate Bonds are rated “AAA” by Standard & Poor’s Ratings Services (“Standard & Poor’s”), “Aa1” by Moody’s Investors Service, Inc. (“Moody’s”) and “AAA” by Fitch Ratings (“Fitch”).
Authority Contact	<p>Mr. Raymond Orlando</p> <p>Phone Number: (212) 788-5875</p> <p>Email: orlandor@omb.nyc.gov</p>

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SECTION I: INTRODUCTION

This Offering Circular of the New York City Transitional Finance Authority (the “Authority”) sets forth information concerning the Authority in connection with the sale of the following Bonds by the Authority:

\$100,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Subseries A-1 (the “Subseries A-1 Bonds”);

\$150,000,000 Future Tax Secured Taxable Subordinate Bonds (Qualified School Construction Bonds), Fiscal 2013 Subseries A-2 (the “Subseries A-2 Bonds”);

\$200,000,000 Future Tax Secured Taxable Subordinate Bonds, Fiscal 2013 Subseries A-3 (the “Subseries A-3 Bonds” and, collectively with the Subseries A-1 Bonds and the Subseries A-2 Bonds, the “Series 2013 A Fixed Rate Bonds”); and

\$950,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2013 Series B (the “Refunding Bonds”).

The Series 2013 A Fixed Rate Bonds and the Refunding Bonds are collectively referred to herein as the “Fixed Rate Bonds.” The Fixed Rate Bonds will be issued as fixed rate bonds. Simultaneously with the issuance of the Fixed Rate Bonds, the Authority expects to issue its Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2013 in an aggregate principal amount of \$350,000,000 (the “Adjustable Rate Bonds” and, collectively with the Series 2013 A Fixed Rate Bonds, the “Series 2013 A Bonds”). The Adjustable Rate Bonds are being offered by a separate offering circular. The Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the “Series 2013 Bonds.”

The Series 2013 Bonds, along with other series of bonds secured by Tax Revenues, are referred to herein as “Future Tax Secured Bonds.” Future Tax Secured Bonds, together with all other series of bonds heretofore or hereafter issued under the Indenture (defined herein), are collectively referred to as the “Bonds.” The Series 2013 Bonds will be issued as Parity Debt subordinate to Senior Debt Service and operating expenses of the Authority. The Series 2013 Bonds will be issued on a parity with the Authority’s Recovery Obligations and other Subordinate Bonds issued on a parity with Recovery Obligations (together, “Parity Debt”). Interest on and principal of the Series 2013 Bonds are payable solely from Tax Revenues.

The Authority is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the “State”) created by the New York City Transitional Finance Authority Act, as amended (the “Act”). The Authority was created to provide for the issuance of debt to fund a portion of the capital program of The City of New York (the “City”). The Act was amended in 2001 to permit the issuance of Future Tax Secured Bonds and Notes (“Recovery Obligations”) to pay costs relating to or arising from the September 11 attack on the World Trade Center (“Recovery Costs”). In 2006, the Act was amended pursuant to Part A-3 of Chapter 58 of the Laws of New York, 2006 (the “School Financing Act”) which authorizes the Authority to issue Bonds to finance a portion of the City’s educational facilities capital plan (“Building Aid Revenue Bonds”) and authorizes the City to assign to the Authority all or any portion of the State aid payable to the City or its school district pursuant to subdivision 6 of Section 3602 of the State Education Law, or any successor provision of State Law (“State Building Aid”). Building Aid Revenue Bonds are not secured by Tax Revenues described below.

The Series 2013 Bonds are being issued pursuant to the Act and the Amended and Restated Original Indenture, as restated December 1, 2010, as supplemented (the “Indenture”), by and between the Authority and The Bank of New York Mellon, New York, New York, as Trustee (the “Trustee”). The Authority and the City entered into a Financing Agreement (the “Agreement”), dated October 1, 1997, as amended, supplemented and in effect from time to time, which provides for the application of the Authority’s Bond proceeds to fund capital expenditures of the City and Recovery Costs and includes various covenants of the City.

The factors affecting the Authority and the Series 2013 Bonds described throughout this Offering Circular are complex and are not intended to be described in this Introduction. This Offering Circular should be read in its entirety. 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 A—SUMMARY OF INDENTURE AND AGREEMENT.”

SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS

General

The Series 2013 Bonds are to be issued as Parity Debt. Interest on and principal of the Series 2013 Bonds are payable from Tax Revenues, subordinate to payment of Senior Debt Service, including principal and interest on Senior Bonds Outstanding and to be issued and operating expenses of the Authority. See “—Application of Revenues” herein.

The Act authorizes the Authority to issue debt and secure the repayment of such debt with a pledge 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. A portion of the Authority’s Revenues are derived from the amounts payable to it from the Tax Revenues which are the only source of payment pledged to the holders of the Series 2013 Bonds. See “—Tax Revenues” herein. Pursuant to the Act and the Indenture, the Authority has pledged the Tax Revenues to the Trustee for payment of the principal of and the interest on the Series 2013 Bonds on a subordinate basis. The Act provides that the Authority’s pledge of its Tax Revenues represents a perfected security interest on behalf of the holders of the Future Tax Secured Bonds.

There are no significant assets or sources of funds available to pay the Series 2013 Bonds other than the Tax Revenues. The Series 2013 Bonds will not be guaranteed by the City or the State. Consequently, the holders of the Series 2013 Bonds must rely for repayment solely upon collection of the Tax Revenues and certain accounts held by the Trustee pursuant to the Indenture.

The Authority also derives Revenues from State Building Aid, and federal subsidies with respect to Build America Bonds and Qualified School Construction Bonds under the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”), but such Revenues are not pledged to the Holders of the Series 2013 Bonds. For a description of the application of such federal subsidies under the Indenture, see “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”

The Authority’s debt is not debt of the State or the City and neither the State nor the City shall be liable thereon.

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. Based on State and federal constitutional, statutory and case law and the terms of the Indenture and the Agreement, Bond Counsel is of the opinion that if the debts of the City were adjusted under the Bankruptcy Code and the City or its creditors were to assert a right to the Tax Revenues equal or prior to the rights of the holders of the Future Tax Secured Bonds, such assertion would not succeed.

Tax Revenues

The Series 2013 Bonds are payable from the Tax Revenues on a subordinate basis as described above. Personal Income Tax Revenues are the revenues collected from the Personal Income Tax less overpayments and costs of administration. The Personal Income Tax is the tax imposed by the City as authorized by the State on the income of City residents and, while applicable, on nonresident earnings in the City as described below. Sales Tax Revenues are the revenues collected from the Sales Tax less (i) administrative expenses of the New York State Financial Control Board and the Office of the State Deputy Comptroller (the “State Oversight Retention Requirements”), and (ii) State administrative costs. See “—Sales Tax” herein. The Sales Tax is the tax imposed by the City on the sale and use of tangible personal property and services in the City. Pursuant to the Act, Sales Tax Revenues will be available for the payment of Future Tax Secured Bonds if Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of the maximum annual debt service on the Authority’s Outstanding Bonds. For a description of the Personal Income Tax Revenues and the Sales Tax Revenues, including assumptions relating thereto and the expiration and reduction of certain portions thereof, see “—Personal Income Tax” and “—Sales Tax” below. For a description of the servicing and application of the Statutory Revenues, see “—Servicing” and “—Application of Revenues” below.

Historical collections of Tax Revenues for fiscal years 1997 to 2011 and forecasted collections of Tax Revenues for fiscal years 2012 through and including 2016 are shown in the following table. Forecasted collections of Tax Revenues included in this Offering Circular are as forecasted by the New York City Office of Management and Budget (“NYC OMB”) as set forth in the City Financial Plan dated June 29, 2012 (the “Financial Plan”).

HISTORICAL AND FORECASTED AMOUNTS OF TAX REVENUES

<u>Fiscal Year</u>	<u>Tax Revenues (millions)</u>	<u>Fiscal Year</u>	<u>Tax Revenues (millions)</u>
1997	\$7,048	2007	\$12,375
1998	7,816	2008	13,696
1999	8,639	2009 ⁽¹⁾	11,431
2000	8,961	2010	11,808
2001	9,485	2011	13,217
2002	7,908	2012 ⁽²⁾	13,874
2003	7,785	2013 ⁽²⁾	14,603
2004	9,037	2014 ⁽²⁾	14,916
2005	10,873	2015 ⁽²⁾	15,797
2006	11,756	2016 ⁽²⁾	16,405

Source: NYC OMB. All figures shown herein are calculated on a cash basis. Figures after fiscal year 2004 do not reflect deductions for State Oversight Retention Requirements.

⁽¹⁾ The decrease in Tax Revenues from fiscal year 2008 to fiscal year 2009 is attributable, in part, to an adjustment in fiscal year 2009 by the State for overpayments of Personal Income Tax Revenues in fiscal years 2002 through 2009 in the amount of \$597.3 million and, in part, to the economic recession.

⁽²⁾ Forecast.

The amount of future Tax Revenues to be collected depends upon various factors including the economic conditions in the City. The forecasts of Tax Revenues are not intended to be guarantees of actual collections and results may vary from forecasts. Economic conditions in the City have reflected numerous cycles of growth and recession. There can be no assurance that historical data relating to economic conditions in the City are predictive of future trends or that forecasts of future economic developments will be realized. For more information regarding the economic conditions in the City, see “SECTION III: ECONOMIC AND DEMOGRAPHIC INFORMATION.”

Debt Service Coverage

The Indenture includes the Quarterly Senior Debt Service Covenant which provides that the maximum Quarterly Senior Debt Service may not exceed \$330 million. Annually, this would total \$1.32 billion, which corresponds to the cost of debt service on \$12 billion of Authority debt outstanding at an interest rate of 9% (the “Covenanted Maximum Annual Debt Service for Senior Bonds”). See “SECTION V: THE AUTHORITY—Other Authority Obligations.”

The Indenture provides that other Parity Debt may be issued, provided that collections of Tax Revenues for the most recent fiscal year ended at least two months prior to the date of such issuance are, for each fiscal year during which such proposed Bonds are to be outstanding, at least three times the sum of \$1.32 billion (Covenanted Maximum Annual Debt Service for Senior Bonds) and annual debt service on Outstanding Recovery Obligations and other Parity Debt including annual debt service on the Series proposed to be issued, as estimated in accordance with the Indenture.

The following table shows debt service coverage by historical Tax Revenues based on actual debt service on Outstanding Senior Bonds and Parity Debt.

**DEBT SERVICE COVERAGE FOR OUTSTANDING FUTURE TAX SECURED BONDS
BY HISTORICAL TAX REVENUES**

<u>Fiscal Year</u>	<u>Tax Revenues (millions)⁽¹⁾</u>	<u>Coverage⁽²⁾</u>
2002	\$7,908	17.55x
2003	7,785	14.50
2004	9,037	12.33
2005	10,873	12.12
2006	11,756	12.43
2007	12,375	13.79
2008	13,696	12.45
2009	11,431 ⁽³⁾	10.92
2010	11,808	9.69
2011	13,217	12.40

⁽¹⁾ Source: NYC OMB. Figures shown are calculated on a cash basis. Figures after fiscal year 2004 do not reflect deductions for State Oversight Retention Requirements.

⁽²⁾ Coverage is based on total Tax Revenues received in the fiscal year indicated divided by Tax Revenues required to be retained by the Authority in such year for debt service, calculated without giving effect to prepayments of Authority debt service with grants from the City.

⁽³⁾ The decrease in Tax Revenues from fiscal year 2008 to fiscal year 2009 is attributable, in part, to an adjustment in fiscal year 2009 by the State for overpayments of Personal Income Tax Revenues in fiscal years 2002 through 2009 in the amount of \$597.3 million and, in part, to the economic recession.

The following table shows projected debt service coverage on Future Tax Secured Bonds in fiscal years 2012 through 2016.

**PROJECTED DEBT SERVICE COVERAGE FOR FUTURE TAX
SECURED BONDS BY PROJECTED TAX REVENUES**

<u>Fiscal Year</u>	<u>Tax Revenues (millions)⁽¹⁾</u>	<u>Coverage⁽²⁾</u>
2012	\$13,874	8.39x
2013	14,603	8.13
2014	14,916	7.19
2015	15,797	6.95
2016	16,405	6.71

⁽¹⁾ Forecast. Source: NYC OMB. Figures shown are calculated on a cash basis. Figures do not reflect deductions for State Oversight Retention Requirements.

⁽²⁾ Calculated based on Outstanding bonds and bonds projected to be issued as described under "SECTION V: THE AUTHORITY—Plan of Finance" assuming interest rates of 5% on Outstanding tax-exempt variable rate bonds, 7% on Outstanding taxable variable rate bonds and 6% on all bonds projected to be issued through 2016. Projections do not reflect the federal subsidy on Build America Bonds and Qualified School Construction Bonds. Projections are based on amounts of Tax Revenues to be retained by the Authority and are calculated without giving effect to prepayments of Authority debt service with grants from the City.

Servicing

Personal Income Tax Collection

The New York State Department of Taxation and Finance collects the Personal Income Tax from employers and individual taxpayers and reports the amount of such funds to the State Comptroller, who holds such collections net of overpayments by taxpayers and administrative costs in trust for the Authority. The amount of overpayments and administrative costs paid by the State Comptroller out of gross Personal Income Tax collections has averaged 15.8% of the annual collections for

fiscal years 2007 through 2011. The State Comptroller is required by the Act, commencing on or before the fifteenth day of each month, to pay the Personal Income Tax Revenues on a daily basis directly to the Trustee for application in accordance with the Indenture. While the State Comptroller is required by statute to transfer the Personal Income Tax Revenues on or prior to the fifteenth day of each month, the usual practice of the State Comptroller is to transfer such funds commencing on the first day of each month. For more information regarding the application of Statutory Revenues upon receipt by the Trustee, see “—Application of Revenues” herein. Payments of the Personal Income Tax Revenues by the State Comptroller to the Authority are not subject to State or City appropriation.

Sales Tax Collection

Sales Tax is collected by vendors and service providers in the City 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. Payment of Sales Tax collections by the State Comptroller to the Authority is not subject to City or State appropriation. In the event the Mayor of the City certifies to the State Comptroller that Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of maximum annual debt service on Outstanding Bonds, the Act requires the State Comptroller to pay to the Authority from Sales Tax collections available after payments of State Oversight Retention Requirements and the deduction of State administrative costs, an amount necessary to provide at least 150% of maximum annual debt service on the Authority’s Outstanding Bonds. In the event Personal Income Tax Revenues are projected to provide coverage of at least 150% of maximum annual debt service on the Outstanding Bonds, no Sales Tax Revenues will be paid by the State Comptroller to the Authority. See “—Agreements of the State and the City” below. The Authority has instructed the State Comptroller to pay Sales Tax Revenues directly to the Trustee, if required, for application in accordance with the Indenture. For more information regarding the application of Statutory Revenues upon receipt by the Trustee, see “—Application of Revenues” below.

Personal Income Tax

For purposes of this Offering Circular the term “Personal Income Tax” means the tax imposed by the City as authorized by the State on the income of City residents and, while applicable, on nonresident earnings in the City. Personal Income Tax collections, net of overpayments and administrative costs required to be paid, are referred to herein as “Personal Income Tax Revenues” and are Revenues of the Authority when they are paid or payable to the Trustee.

The Personal Income Tax was originally adopted in 1966 by State legislation allowing the City to impose a tax on the income of City residents and on nonresident earnings in the City. The Personal Income Tax is composed of several components, which State laws authorize the City to impose. Some of these components have required renewals in the past and will require renewals in the future. The Act provides that nothing contained therein restricts the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Tax, but such taxes payable to the Authority shall in all events continue to be so payable so long as any such taxes are imposed.

In the past, various components of the Personal Income Tax have changed. The Personal Income Tax for 2002 was imposed on City residents according to a schedule of rates (the “Base Rate”) and was subject to an additional 14% surcharge (the “14% Surcharge”) with a resulting maximum rate of 3.648%. The Base Rate and the 14% Surcharge were replaced with a temporary rate schedule for 2003 through 2005. The top rate under this temporary schedule was 4.45%. For 2006, the temporary schedule returned to the Base Rate and the 14% Surcharge. Commencing in 2010, the Base Rate was increased for taxpayers with taxable income above \$500,000, such that the maximum total tax rate is 3.876%. The Base Rate and the 14% Surcharge will remain in effect until their scheduled expiration on January 1, 2015. On January 1, 2015, unless legislation is passed which extends the Base Rate and the 14% Surcharge, a lower rate schedule (the “Reduced Base Rate”) with a maximum rate of 1.48% is to become effective. The Base Rate, which was implemented in 1989 has, since such time, been scheduled to decline to the Reduced Base Rate on several occasions but such scheduled reductions did not occur because the Base Rate was extended.

The forecasts of Personal Income Tax Revenues contained herein reflect the extension of the 14% Surcharge and the current Base Rate after 2015. If the 14% Surcharge is not extended prior to its expiration, forecast Personal Income Tax Revenues (and Tax Revenues) would be reduced by an estimated \$435 million and \$1.1 billion in fiscal years 2015 and 2016, respectively. In the event that both the Base Rate and the 14% Surcharge were not extended prior to their expiration and the Reduced Base Rate became effective, forecast Personal Income Tax Revenues (and Tax Revenues) would be reduced by an estimated \$2.2 billion and \$5.7 billion in fiscal years 2015 and 2016, respectively. In such an event, forecast Tax Revenues are projected to exceed maximum annual debt service on Outstanding Senior Bonds and Parity Debt by an estimated \$11.6 billion and \$8.7 billion in fiscal years 2015 and 2016, respectively.

Personal Income Tax Revenues were approximately \$130 million in fiscal year 1967. The following table shows Personal Income Tax Revenues for fiscal years 1997 through 2011 and forecasted Personal Income Tax Revenues for fiscal years 2012 through 2016.

HISTORICAL AND FORECASTED PERSONAL INCOME TAX REVENUES

<u>Fiscal Year</u>	<u>Personal Income Tax Revenues (millions)</u>	<u>Fiscal Year</u>	<u>Personal Income Tax Revenues (millions)</u>
1997	\$4,376	2007	\$7,748
1998	5,147	2008	8,810
1999	5,397	2009 ⁽¹⁾	6,685
2000	5,528	2010	6,867
2001	5,771	2011	7,626
2002	4,500	2012 ⁽²⁾	8,016
2003	4,495	2013 ⁽²⁾	8,516
2004	5,552	2014 ⁽²⁾	8,566
2005	6,503	2015 ⁽²⁾	9,174
2006	7,329	2016 ⁽²⁾	9,542

Source: NYC OMB. All figures are calculated on a cash basis.

⁽¹⁾ The decrease in Personal Income Tax Revenues from fiscal year 2008 to fiscal year 2009 is attributable, in part, to an adjustment in fiscal year 2009 by the State for overpayments of Personal Income Tax Revenues in fiscal years 2002 through 2009 in the amount of \$597.3 million and, in part, to the economic recession.

⁽²⁾ Forecast.

For fiscal years 2001 through 2011, an average of 78% of Personal Income Tax Revenues was collected through mandatory withholding by employers as a percentage of wage income paid to employees. For fiscal year 2011, \$6.1 billion of the Personal Income Tax Revenues was collected through withholding. State law requires most employers to remit to the New York State Department of Taxation and Finance amounts withheld from income paid to employees within three business days of such payments. For fiscal years 2001 through 2011, approximately 17.1% of Personal Income Tax Revenues was collected from taxpayers through quarterly installment payments on non-wage income and self-employment earnings, and approximately 4.9% of Personal Income Tax Revenues was collected from taxpayers following the end of each calendar year based on the filing of final tax returns.

Sales Tax

For purposes of this Offering Circular, the term “Sales Tax” means the tax on the sale and use of tangible personal property and services in the City imposed by the City. Sales Tax Revenues do not include that portion of the Sales Tax collections required for the State Oversight Retention Requirements or for State administrative costs. Sales Tax Revenues payable by the State Comptroller to the Authority are not subject to City or State appropriation. The Sales Tax is levied on a variety of economic activities including retail sales, utility and communication sales, services and manufacturing at a rate of 4.5%. In addition, the Sales Tax includes a 6.0% tax on receipts from parking, garaging or storing motor vehicles in the City.

Sales Tax Revenues

The table below shows historical Sales Tax Revenues for fiscal years 1997 through 2011 and forecasted Sales Tax Revenues for fiscal years 2012 through 2016.

HISTORICAL AND FORECASTED SALES TAX REVENUES

<u>Fiscal Year</u>	<u>Sales Tax Revenues (millions)</u>	<u>Fiscal Year</u>	<u>Sales Tax Revenues (millions)</u>
1997	\$2,671	2007	\$4,627
1998	2,669	2008	4,886
1999	3,242	2009	4,746
2000	3,433	2010	4,940
2001	3,714	2011	5,591
2002	3,408	2012 ⁽¹⁾	5,858
2003	3,289	2013 ⁽¹⁾	6,087
2004	3,485	2014 ⁽¹⁾	6,350
2005	4,370	2015 ⁽¹⁾	6,623
2006	4,427	2016 ⁽¹⁾	6,863

Source: NYC OMB. All figures shown herein are calculated on a cash basis. Figures after fiscal year 2004 do not reflect deductions for State Oversight Retention Requirements.

⁽¹⁾ Forecast.

Application of Tax Revenues

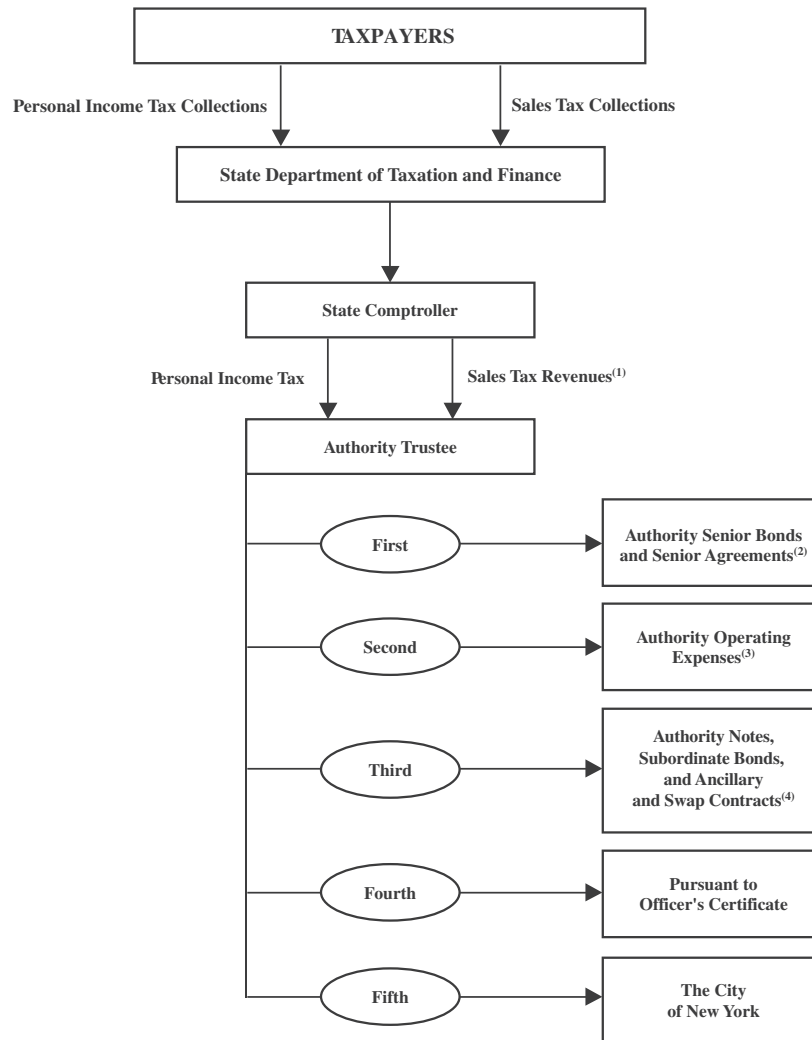
Upon receipt of (i) Personal Income Tax Revenues and (ii) Sales Tax Revenues, if any are required to be paid to the Authority, the Trustee must deposit such amounts into the Collection Account held by the Trustee within which there is created a Tax Revenue Subaccount and a Building Aid Subaccount. Any Tax Revenues received by the Authority shall be promptly deposited into the Tax Revenue Subaccount.

All Tax Revenues in the Tax Revenue Subaccount of the Collection Account shall be applied upon receipt by the Trustee in the following order of priority: first, to the Bond Account to pay Senior Debt Service in accordance with the Retention Procedures described below; second, to the Authority's operating expenses, including deposits to the Redemption Account for optional redemption of the Senior Bonds, if any, and any reserves held by the Authority for payment of operating expenses; third, pursuant to Supplemental Indentures, to the Recovery and Parity Debt Account or otherwise for the benefit of holders of Parity Debt, Subordinate Bondholders and parties to ancillary and swap contracts (other than Senior Agreements), to the extent such Supplemental Indentures may require application of Tax Revenues to pay items after payments of Senior Debt Service and operating expenses; fourth, pursuant to each Officer's Certificate making reference to this level of priority in accordance with the Indenture; and fifth, to the City as soon as available but not later than the last day of each month, excess Tax Revenues, free and clear of the lien of the Indenture.

Future Tax Secured Bonds issued prior to November 16, 2006 (the "Pre-07 S-1 Bonds"), the date of the first issuance of the Authority's Building Aid Revenue Bonds, will be payable in the first instance from Tax Revenues and solely to the extent that Tax Revenues are insufficient, from State Building Aid. Future Tax Secured Bonds issued after November 16, 2006 (or issued on or prior to November 16, 2006 and thereafter remarketed as Post-07 S-1 Senior Debt or Post-07 S-1 Parity Debt in accordance with the Indenture) are secured only by Tax Revenues and will have no claim to State Building Aid. The Indenture has established within the Bond Account a Post-07 S-1 Senior Subaccount and a Pre-07 S-1 Senior Subaccount and within the Recovery and Parity Debt Account a Post-07 S-1 Parity Subaccount and Pre-07 S-1 Parity Subaccount in order to permit the application of State Building Aid for the benefit of Pre-07 S-1 Bonds.

The following chart illustrates the collection and flow of Tax Revenues under the Indenture, as described below.

SUMMARY OF COLLECTION AND APPLICATION OF TAX REVENUES



⁽¹⁾ Sales Tax Revenues are available to the Authority only in the event that projected Personal Income Tax Revenues are less than 150% of maximum annual debt service on Outstanding Bonds of the Authority. For further information, see “—Sales Tax.”

⁽²⁾ Tax Revenues will be retained by the Trustee for the payment of Senior Debt Service, in accordance with the Retention Procedures detailed below.

⁽³⁾ After Tax Revenues are retained by the Trustee for the payment of Senior Debt Service, such Tax Revenues are paid to the Authority for its operating expenses.

⁽⁴⁾ Excluding all items payable from State Building Aid. After payment of Authority operating expenses, Tax Revenues are applied for the benefit of Noteholders (for interest only), Subordinate Bondholders and parties to ancillary and swap contracts.

Retention Procedures

A quarterly retention mechanism has been adopted by the Authority to provide for payment of debt service on the Future Tax Secured Bonds.

For each three-month period commencing August, November, February and May (each such period, a “Collection Quarter”), the Trustee shall begin on the first business day of the first month of each Collection Quarter to transfer all Tax Revenues from the Tax Revenue Subaccount of the Collection Account in proportion to the unfunded balance with respect to each subaccount of the Bond Account in an amount equal to one-half of Quarterly Senior Debt Service payable from each subaccount of the Bond Account due in the three-month period commencing November, February, May and August following such Collection Quarter (each such period, a “Payment Period”). The total amount due in each Payment Period is the Quarterly Payment Requirement. On the first business day of the second month of each Collection Quarter the Trustee will resume or continue to transfer all Tax Revenues in proportion to the unfunded balance of the Quarterly Payment Requirement from the Collection Account to each subaccount of the Bond Account until there is on deposit in each subaccount of the Bond Account, or the Redemption Account, as the case may be, the Quarterly Payment Requirement. The obligations of the Trustee for payments to be made from the Tax Revenue Subaccount of the Collection Account to each subaccount of the Bond Account shall be cumulative so that any shortage in the first month of the Collection Quarter will become part of the funding obligations in the second month of the Collection Quarter and, if necessary, the third month of the Collection Quarter. To the extent collections from the Tax Revenues are insufficient during the Collection Quarter to provide for payment requirements in the Pre-07 S-1 Senior Subaccount of the Bond Account, the Trustee will transfer State Building Aid from the Building Aid Subaccount in the amount of any such deficiency on the last Business Day of the Collection Quarter.

After all payments are made to the Bond Account, as described above, and for Authority operating expenses, money on deposit in the Collection Account will be applied in accordance with a quarterly retention method adopted by the Authority to provide for payment of debt service on Recovery Obligations and other Parity Debt. At the beginning of each Collection Quarter, the Trustee shall begin to transfer Tax Revenues in proportion to the unfunded balance with respect to each subaccount of the Recovery and Parity Debt Account, equal to one-half of the Quarterly Subordinate Debt Service payable from each subaccount of the Recovery and Parity Debt Account; and on the first day of the second month of each Collection Quarter, the Trustee shall resume or continue such transfers in proportion to the unfunded balance of Quarterly Subordinate Debt Service in each subaccount of the Recovery and Parity Debt Account until the full amount of the Quarterly Subordinate Debt Service is held in each subaccount of the Recovery and Parity Debt Account. To the extent collections from the Tax Revenues are insufficient during the Collection Quarter to provide for payment requirements in the Pre-07 S-1 Parity Subaccount of the Recovery and Parity Debt Account, the Trustee will transfer State Building Aid from the Building Aid Subaccount in the amount of any such deficiency on the last Business Day of the Collection Quarter. The obligation of the Trustee for payments to be made from the Tax Revenue Subaccount of the Collection Account to each subaccount of the Recovery and Parity Debt Account shall be cumulative so that any shortfall in the first month of the Collection Quarter will become part of the funding obligation in the second month of the Collection Quarter and, if necessary, the third month of the Collection Quarter. As soon as practicable, but not later than the last day of each month, money on deposit in the Tax Revenue Subaccount of the Collection Account will be transferred to the City free and clear of the lien of the Indenture.

The transfers and payments under the Indenture shall be appropriately adjusted by the Authority to reflect, among other things, expected Revenues, amounts needed or held in the Sinking Fund, and any purchase or redemption of Bonds, so that there will be available on each payment date the amount necessary to pay principal of and interest on the Series 2013 Bonds from the designated source of Revenues.

Sinking Fund

Principal of the Series 2013 A Bonds will be paid through the Sinking Fund Subaccount (the “Sinking Fund”) of the Recovery and Parity Debt Account. Interest will be paid through the Recovery and Parity Debt Account exclusive of the Sinking Fund.

Principal of the Subseries A-1 Bonds, the Subseries A-3 Bonds and the Adjustable Rate Bonds will be retained in the Sinking Fund during the Collection Quarter immediately preceding each maturity or mandatory redemption date, as applicable.

Principal of the Subseries A-2 Bonds will be provided for by annual retention in the Sinking Fund (by each August 1, the “Sinking Fund Requirement”), in amounts that are scheduled to be sufficient, together with retained earnings thereon, to pay the maturing principal of the Subseries A-2 Bonds at maturity. The Sinking Fund Requirements are shown in “SECTION IV: THE

SERIES 2013 FIXED RATE BONDS—Qualified School Construction Bonds” herein. Such amounts will be reduced by earnings realized on Eligible Investments in the Sinking Fund. The Sinking Fund Requirements for the Subseries A-2 Bonds will be retained in the Collection Quarter preceding August 1, 2030, and each August 1 thereafter until maturity of the Subseries A-2 Bonds.

Agreements of the State and the City

In the Act, the State pledges and agrees with the holders of the Bonds that the State will not limit or alter 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 Bonds until the Bonds are fully paid and discharged. The Act provides that nothing therein restricts the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Tax, but such taxes payable to the Authority shall in all events continue to be so payable so long as any such taxes are imposed.

In addition and in accordance with the Act, the State pledges and agrees with the holders of the Bonds, to the extent that Personal Income Tax Revenues payable to the Authority during any fiscal year are projected by the Mayor to be insufficient to meet at least 150% of maximum annual debt service on the Bonds then Outstanding, the State Comptroller shall pay to the Authority from Sales Tax Revenues such amount as is necessary to provide at least 150% of such maximum annual debt service on the Outstanding Bonds. See “—Sales Tax” above. The State is not obligated to make any additional payments or impose any taxes to satisfy the debt service obligations of the Authority.

In accordance with the Act, the City will pledge and agree with the holders of the Bonds that the City will not limit or alter 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 Bonds until the Bonds are fully paid and discharged. Nothing contained in the Act or the Agreement restricts any right the City may have to amend, modify, repeal or otherwise alter local laws imposing or relating to the Personal Income Tax Revenues payable to the Authority so long as, after giving effect to such amendment, modification or other alteration, the amount of Tax Revenues projected by the Mayor 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 150% of maximum annual debt service on Outstanding Bonds of the Authority.

The Bonds are not a debt of either the State or the City, and neither the State nor the City is liable thereon.

The covenants of the City and the State described above shall be of no force and effect with respect to any Bond 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 Bond.

SECTION III: ECONOMIC AND DEMOGRAPHIC INFORMATION

This section presents certain economic and demographic information about the City which may affect the 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.

New York City Economy

The City has a diversified economic base, with a substantial volume of business activity in the service, wholesale and retail trade and manufacturing industries and is home to many securities, banking, law, accounting, new media and advertising firms.

The City is a major seaport and focal point for international business. Many of the major corporations headquartered in the City are multinational in scope and have extensive foreign operations. Numerous foreign-owned companies in the United States are also headquartered in the City. These firms, which have increased substantially in number over the past decade, are found in all sectors of the City’s economy, but are concentrated in trade, professional and business services, tourism and finance. The City is the location of the headquarters of the United Nations, and several affiliated organizations maintain their principal offices in the City. A large diplomatic community exists in the City to staff the missions to the United Nations and the foreign consulates.

Economic activity in the City has experienced periods of growth and recession and can be expected to experience periods of growth and recession in the future. The City experienced a recession in the early 1970s through the middle of that decade, followed by a period of expansion in the late 1970s through the late 1980s. The City fell into recession again in the early 1990s, which was followed by an expansion that lasted until 2001. The economic slowdown that began in 2001 as a result of the September 11 attack, a national economic recession, and a downturn in the securities industry came to an end in 2003. Subsequently, Wall Street activity, tourism, and the real estate market drove a broad-based economic recovery until the second half of 2007. A decrease in economic activity began in the second half of 2007 and continued through the first half of 2010. The Financial Plan assumes that the gradual increase in economic activity that began in the second half of 2010 will continue through 2012.

Personal Income

Total personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, increased from 2000 to 2010 (the most recent year for which City personal income data are available). From 2000 to 2008, personal income averaged 5.1% and 5.2% growth in the City and the nation, respectively. Total personal income in the City decreased by 5.8% in 2009 and increased by 5.5% in 2010. Total personal income in the nation decreased by 4.3% in 2009 and increased by 3.7% in 2010. The following table sets forth information regarding personal income in the City from 2000 to 2010.

PERSONAL INCOME⁽¹⁾

<u>Year</u>	<u>Total City Personal Income (billions)</u>	<u>City Per Capita Personal Income</u>	<u>U.S. Per Capita Personal Income</u>	<u>City Per Capita Personal Income as a Percent of U.S.</u>
2000	\$293.2	\$36,566	\$30,319	120.6 %
2001	299.0	37,093	31,157	119.1
2002	299.5	37,107	31,481	117.9
2003	305.7	37,895	32,295	117.3
2004	327.6	40,732	33,909	120.1
2005	351.6	43,876	35,452	123.8
2006	386.7	48,374	37,725	128.2
2007	416.5	51,978	39,506	131.6
2008	427.9	53,037	40,947	129.5
2009	403.2	49,588	38,846	127.7
2010	425.6	51,989	39,937	130.2

Sources: U.S. Department of Commerce, Bureau of Economic Analysis and the Bureau of the Census.

⁽¹⁾ In current dollars. Personal income is based on the place of residence and is measured from income, which includes wages and salaries, supplements to wages and salaries, proprietors' income, personal dividend income, personal interest income, rental income of persons, and transfer payments.

Employment

The City is a leading center for the banking and securities industry, life insurance, communications, publishing, fashion design and retail fields. Over the past two decades, the City has experienced a number of business cycles. From 1992 to 2000, the City added 453,600 private sector jobs (growth of 17%). From 2000 to 2003, the City lost 174,600 private sector jobs (decline of 6%). From 2003 to 2008, the City added 255,100 private sector jobs (growth of 9%). From 2008 to 2009, the City lost 103,700 private sector jobs (decline of 3%). From 2009 to 2011, the City added 112,100 private sector jobs (growth of 4%). All such changes are based on average annual employment levels through and including the years referenced. As of June 2012, total employment in the City was 3,873,100 compared to 3,796,500 in June 2011, an increase of approximately 2.0%. The table below shows the distribution of employment from 2001 to 2011.

NEW YORK CITY EMPLOYMENT DISTRIBUTION

	Average Annual Employment (thousands)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Goods-Producing Sectors											
Construction	122	116	113	112	113	118	127	133	121	112	112
Manufacturing	156	139	127	121	114	106	101	96	82	76	75
Service-Producing Sectors											
Trade Transportation and Utilities	557	536	534	539	547	559	570	574	552	559	574
Information	200	177	164	160	163	165	167	170	165	166	171
Financial Activities	474	445	434	435	445	458	468	465	434	429	441
Professional and Business Services	582	550	537	542	556	571	592	603	569	575	597
Educational and Health services	627	646	658	665	679	695	705	719	735	753	765
Leisure and Hospitality	260	255	260	270	277	285	298	310	309	322	342
Other Services	149	150	149	151	153	154	158	161	160	161	164
Total Private Sector	<u>3,127</u>	<u>3,015</u>	<u>2,975</u>	<u>2,995</u>	<u>3,047</u>	<u>3,112</u>	<u>3,186</u>	<u>3,230</u>	<u>3,126</u>	<u>3,153</u>	<u>3,239</u>
Government	<u>562</u>	<u>566</u>	<u>557</u>	<u>554</u>	<u>556</u>	<u>555</u>	<u>559</u>	<u>564</u>	<u>567</u>	<u>558</u>	<u>547</u>
Total	<u>3,689</u>	<u>3,581</u>	<u>3,531</u>	<u>3,549</u>	<u>3,603</u>	<u>3,667</u>	<u>3,745</u>	<u>3,794</u>	<u>3,693</u>	<u>3,711</u>	<u>3,786</u>

Source: U.S. Department of Labor, Bureau of Labor Statistics. Data are presented using the North American Industry Classification System ("NAICS").

Note: Totals may not add due to rounding.

Sectoral Distribution of Employment and Earnings

In 2010, the City's service producing sectors provided approximately 3.0 million jobs and accounted for approximately 80% of total employment. Figures on the sectoral distribution of employment in the City from 1980 to 2000 reflect a significant shift to the service producing sectors and a shrinking manufacturing base relative to the nation.

The structural shift to the service producing sectors affects the total earnings as well as the average wage per employee because employee compensation in certain of those sectors, such as financial activities and professional and business services, tends to be considerably higher than in most other sectors. Moreover, average wage rates in these sectors are significantly higher in the City than in the nation. In the City in 2010, the employment share for the financial activities and professional and business services sectors was approximately 27% while the earnings share for those same sectors was approximately 48%. In the nation, those same service producing sectors accounted for only approximately 19% of employment and 25% of earnings in 2010. Due to the earnings distribution in the City, sudden or large shocks in the financial markets may have a disproportionately adverse effect on the City relative to the nation.

The City's and the nation's employment and earnings by sector for 2010 are set forth in the following table.

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS IN 2010⁽¹⁾

	Employment		Earnings ⁽²⁾	
	City	U.S.	City	U.S.
Goods-Producing Sectors				
Mining	0.0%	0.5%	0.0%	0.9%
Construction	3.0	4.2	3.0	5.4
Manufacturing	2.1	8.9	1.6	10.0
Total Goods-Producing	5.1	13.7	4.5	16.3
Service-Producing Sectors				
Trade, Transportation and Utilities.....	15.1	19.0	8.6	15.5
Information.....	4.5	2.1	7.2	3.3
Financial Activities	11.5	5.9	27.2	8.9
Professional and Business Services.....	15.5	12.9	21.0	16.4
Education and Health Services.....	20.3	15.0	11.5	12.9
Leisure & Hospitality	8.7	10.0	4.7	4.3
Other Services	4.3	4.1	2.9	3.7
Total Service-Producing	79.9	69.0	83.1	65.0
Total Private Sector	85.0	82.7	88.9	81.6
Government⁽³⁾	15.0	17.3	11.1	18.4

Note: Data may not add due to rounding or restrictions on reporting earnings data. Data are presented using NAICS.

Sources: The two primary sources of employment and earnings information are the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of Economic Analysis.

⁽¹⁾ The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.

⁽²⁾ Includes the sum of wage and salary disbursements, other labor income, and proprietor's income. The latest information available is 2010 data.

⁽³⁾ Excludes military establishments.

The comparison of employment and earnings in 1980 and 2000 set forth below is presented using the industry classification system which was in use until the adoption of the NAICS in the late 1990s. Though the NAICS has been implemented for most government industry statistical reporting, most historical earnings data have not been converted. Furthermore, it is not possible to compare data from the two classification systems except in the general categorization of government, private and total employment. The table below reflects the overall increase in the service producing sectors and the declining manufacturing base in the City from 1980 to 2000.

The City's and the nation's employment and earnings by industry are set forth in the following table.

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS⁽¹⁾

	Employment				Earnings ⁽²⁾			
	1980		2000		1980		2000	
	City	U.S.	City	U.S.	City	U.S.	City	U.S.
Private Sector								
Non-Manufacturing:								
Services	27.0%	19.8%	39.1%	30.7%	26.0%	18.4%	30.2%	28.7%
Wholesale and Retail Trade	18.6	22.5	16.8	23.0	15.1	16.6	9.3	14.9
Finance, Insurance and Real Estate	13.6	5.7	13.2	5.7	17.6	5.9	35.5	10.0
Transportation and Public Utilities	7.8	5.7	5.7	5.3	10.1	7.6	5.2	6.8
Contract Construction	2.3	4.8	3.3	5.1	2.6	6.3	2.9	5.9
Mining	0.0	1.1	0.0	0.4	0.4	2.1	0.1	1.0
Total Non-Manufacturing	69.3	59.6	78.1	70.3	71.8	56.9	83.2	67.3
Manufacturing:								
Durable.....	4.4	13.4	1.6	8.4	3.7	15.9	1.3	10.5
Non-Durable.....	10.6	9.0	4.9	5.6	9.5	8.9	4.8	6.1
Total Manufacturing.....	15.0	22.4	6.5	14.0	13.2	24.8	6.1	16.6
Total Private Sector	84.3	82.0	84.7	84.3	85.2	82.1	89.8	84.6
Government⁽³⁾	15.7	18.0	15.3	15.7	14.8	17.9	10.3	15.4

Sources: The two primary sources of employment and earnings information are the U.S. Department of Labor, Bureau of Labor Statistics, and the U.S. Department of Commerce, Bureau of Economic Analysis.

Note: Totals may not add due to rounding. Data are presented using the Standard Industrial Classification System.

⁽¹⁾ The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.

⁽²⁾ Includes the sum of wage and salary disbursements, other labor income and proprietors' income. The latest information available for the City is 2000 data.

⁽³⁾ Excludes military establishments.

Taxable Sales

The City is a major retail trade market with the greatest volume of retail sales of any city in the nation. The Sales Tax is levied on a variety of economic activities including retail sales, utility and communication sales, services and manufacturing. Between 2000 and 2008, total taxable sales volume grew at a compounded growth rate averaging 4.9%. From 2009 to 2010, total taxable sales volume decreased by 6.4%, reflecting a decline in consumption as a result of local employment losses and the local and national recessions.

The following table illustrates the volume of sales and purchases subject to the Sales Tax from 2000 to 2010.

TAXABLE SALES AND PURCHASES SUBJECT TO SALES TAX

Year ⁽¹⁾	Retail ⁽²⁾ (billions)	Utility & Communication Sales ⁽³⁾ (billions)	Services ⁽⁴⁾ (billions)	Manufacturing (billions)	Other ⁽⁵⁾ (billions)	City Other ⁽⁶⁾ (billions)	Total (billions)
2000	\$28.8	\$ 9.9	\$19.6	\$2.0	\$16.5	\$ 4.9	\$ 81.7
2001	25.6	11.4	22.3	2.3	17.3	7.1	86.0
2002	25.6	11.9	20.7	2.0	15.2	5.4	80.9
2003	26.1	11.4	21.0	1.8	14.8	6.5	81.6
2004	32.3	11.6	21.7	1.9	14.8	7.1	89.5
2005	36.5	12.0	24.1	2.1	16.2	7.3	98.2
2006	35.9	13.2	26.3	2.2	17.9	9.6	105.1
2007	33.4	12.8	28.1	2.4	19.4	10.6	106.7
2008	33.3	13.5	31.5	2.8	20.7	13.1	115.0
2009	31.3	14.3	31.8	2.7	19.8	13.8	113.6
2010	31.1	13.7	30.0	2.3	18.0	11.3	106.4

Source: State Department of Taxation and Finance publication "Taxable Sales and Purchases, and Industry Data."

Note: Totals may not add due to rounding. Data are presented using the NAICS.

⁽¹⁾ The yearly data is for the period from March 1 of the year prior to the listed year through the last day of February of the listed year.

⁽²⁾ Retail sales include building materials, general merchandise, food, auto dealers/gas stations, apparel, furniture, eating and drinking and miscellaneous retail.

⁽³⁾ Utility and Communication sales include non-residential electric, non-residential gas and communication.

⁽⁴⁾ Services include business services, hotel occupancy services (stays for the first 90 days), and other services (auto repair, parking and others).

⁽⁵⁾ Other sales include construction, wholesale trade, arts, entertainment and recreation, and others.

⁽⁶⁾ City Other sales reflect the local tax base component of City taxable sales and purchases and include residential utility (electric and gas), Manhattan parking services, hotel occupancy series (stays from 91 to 180 days), and miscellaneous services (credit rating and reporting services, miscellaneous personal services, and other services).

Population

The City has been the most populous city in the United States since 1790. The City's population is larger than the combined populations of Los Angeles and Chicago, the two next most populous cities in the nation.

POPULATION OF NEW YORK CITY

<u>Year</u>	<u>Total Population</u>
1970.....	7,895,563
1980.....	7,071,639
1990.....	7,322,564
2000.....	8,008,278
2010.....	8,175,133

Source: U.S. Department of Commerce, Bureau of the Census.

Note: Figures do not include an undetermined number of undocumented aliens.

SECTION IV: THE SERIES 2013 FIXED RATE BONDS

General

The Fixed Rate Bonds will be dated the date of their delivery, will bear interest at the rates and will mature on the dates as set forth on the inside cover page of this Offering Circular unless redeemed prior to maturity if subject to redemption. All of the Fixed Rate Bonds will be issued in book-entry only form. Interest on and principal of the Fixed Rate Bonds are payable from Tax Revenues of the Authority subordinate to the payment of Senior Debt Service and operating expenses of the Authority. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS."

The Fixed Rate Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and will bear interest calculated on the basis of a 360-day year of 30-day months.

Qualified School Construction Bonds

The Subseries A-2 Bonds are being issued as "Qualified School Construction Bonds" as defined in Section 54F of the Code and as "Specified Tax Credit Bonds" as defined in Section 6431(f)(3) of the Code for which the Authority will receive, pursuant to Sections 54F and 6431 of the Code, a direct cash subsidy payment from the United States Treasury. **Such subsidy payment will not be pledged as security for the Subseries A-2 Bonds.**

The Authority intends to use the net proceeds of the Subseries A-2 Bonds to finance all or a portion of the costs of construction, rehabilitation or repair of public schools, including the furnishing and equipping of such schools and the acquisition of land on which such schools are to be constructed (the "School Projects"). A list of the schools that could be financed with the proceeds of the Subseries A-2 Bonds is set forth on "APPENDIX E—SCHOOLS FINANCED WITH QUALIFIED SCHOOL CONSTRUCTION BONDS." A majority of the students attending such schools are expected to be eligible to participate in the National School Lunch Program. The Authority will provide a certification to this effect at the request of a purchaser of Subseries A-2 Bonds.

In accordance with the Indenture, the Authority will deposit from Tax Revenues and earnings thereon the following amounts into the Sinking Fund in the Recovery and Parity Debt Account, which amounts are to be applied to the payment of the principal amount of the Subseries A-2 Bonds at maturity, as follows:

<u>August 1,</u>	<u>Sinking Fund Requirement</u>
2030	\$12,020,000
2031	34,495,000
2032	34,495,000
2033	34,495,000
2034	34,495,000
* Final deposit.	

Such amounts will be reduced by earnings realized on Eligible Investments in the Sinking Fund.

The Authority may credit against any Sinking Fund Requirement the principal amount of any Subseries A-2 Bonds or other Eligible Bonds that have been retired through purchase or optional redemption and not previously so credited.

Eligible Bonds are Senior Bonds or Parity Debt that either (i) mature on or before August 1, 2034, or (ii) are Term Bonds or Sinking Fund Bonds with mandatory redemption requirements or sinking fund requirements on or before August 1, 2034, against which the retired Bonds are applied pursuant to their terms. The Subseries A-2 Sinking Fund Requirement for the last August 1 not later than such maturity date or the date of such requirement shall be increased by the principal amount of each Eligible Bond so credited that is not a Subseries A-2 Bond.

Mandatory Redemption

Extraordinary Mandatory Redemption of Subseries A-2 Bonds

The Code requires all of the proceeds of the Subseries A-2 Bonds and investment earnings thereon to be expended within three years of the date of issue of the Subseries A-2 Bonds or within 90 days of any IRS approved extension for School Projects (the “Expenditure Period”). In the event such expenditure requirements are not satisfied, the Subseries A-2 Bonds are subject to extraordinary mandatory redemption, in whole or in part, on a date designated by the Authority within 90 days after the end of the Expenditure Period, at a redemption price equal to the principal amount of the Subseries A-2 Bonds to be redeemed together with accrued interest, if any, to the redemption date in an amount computed by reference to the unexpended proceeds of the Subseries A-2 Bonds or such amount as may be required to preserve the status of the Subseries A-2 Bonds as “qualified school construction bonds.”

See “—Notice of Redemption; Selection of Bonds to be Redeemed” below for information on the manner of selection of the Fixed Rate Bonds to be redeemed as described under this subheading “Mandatory Redemption.”

Optional Redemption

Optional Redemption of Subseries A-1 Bonds

The Subseries A-1 Bonds maturing before August 1, 2024 are not subject to optional redemption prior to maturity. The Subseries A-1 Bonds maturing on or after August 1, 2024 are subject to optional redemption prior to maturity on 30 days’ notice, at the option of the Authority, in whole or in part, on any date on or after August 1, 2022 at a price of 100% of their principal amount plus accrued interest to the redemption date. In the event that such Subseries A-1 Bonds are defeased to their maturity in the future, the Authority expects that such Subseries A-1 Bonds will remain subject to optional redemption by the Authority.

Optional Redemption of Refunding Bonds

The Refunding Bonds maturing before November 1, 2023 are not subject to optional redemption prior to maturity. The Refunding Bonds maturing on and after November 1, 2023 are subject to optional redemption prior to maturity on 30 days’ notice, at the option of the Authority, in whole or in part, on any date on or after November 1, 2022 at a price of 100% of their principal amount plus accrued interest to the redemption date. In the event that such Refunding Bonds are defeased to their maturity in the future, the Authority expects that such Refunding Bonds will remain subject to optional redemption by the Authority.

Make-Whole Optional Redemption of Subseries A-2 Bonds

The Subseries A-2 Bonds are subject to redemption prior to their stated maturity dates at the option of the Authority, in whole or in part, on any date at a make-whole optional redemption price equal to the greater of:

- (1) 104.738% of the principal amount of such Subseries A-2 Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Subseries A-2 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Subseries A-2 Bonds are to be redeemed, discounted to the date on which such Subseries A-2 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 25 basis points;

plus, in each case, accrued interest on such Subseries A-2 Bonds to be redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed, provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Make-Whole Optional Redemption of Subseries A-3 Bonds

The Subseries A-3 Bonds are subject to redemption prior to their stated maturity dates at the option of the Authority, in whole or in part, on any date at a make-whole optional redemption price equal to the greater of:

- (1) 100% of the principal amount of such Subseries A-3 Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Subseries A-3 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Subseries A-3 Bonds are to be redeemed, discounted to the date on which such Subseries A-3 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 15 basis points;

plus, in each case, accrued interest on such Subseries A-3 Bonds to be redeemed to the redemption date.

Make-Whole Extraordinary Optional Redemption of Subseries A-2 Bonds

The Subseries A-2 Bonds are subject to redemption prior to their stated maturity dates at the option of the Authority, in whole or in part, upon the occurrence of an Extraordinary Event, at a redemption price equal to the greater of:

- (1) 104.738% of the principal amount of such Subseries A-2 Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Subseries A-2 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Subseries A-2 Bonds are to be redeemed, discounted to the date on which such Subseries A-2 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points;

plus, in each case, accrued interest on such Subseries A-2 Bonds to be redeemed on the redemption date.

An “Extraordinary Event” will have occurred with respect to Subseries A-2 Bonds if Section 54A, 54F or Section 6431 of the Code is modified, amended or interpreted in a manner pursuant to which the Authority’s cash subsidy payment from the United States Treasury with respect to Subseries A-2 Bonds is reduced or eliminated.

See “—Notice of Redemption; Selection of Bonds to be Redeemed” below for information on the manner of selection of the Fixed Rate Bonds to be redeemed as described under this subheading “Optional Redemption.”

Notice of Redemption; Selection of Bonds to be Redeemed

On or after any redemption date, interest will cease to accrue on the Fixed Rate Bonds called for redemption.

The particular maturities, amounts and coupons of the Fixed Rate Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

Upon receipt of notice from the Authority of its election to redeem Fixed Rate Bonds, the Trustee is to give notice of such redemption by mail to the Holders of Fixed Rate Bonds to be redeemed not less than 30 days or more than 60 days prior to the date set for redemption. Failure by a particular holder to receive notice, or any defect in the notice to such holder, will not affect the redemption of any other Bond.

If less than all of a coupon and maturity of the Fixed Rate Bonds of a maturity are called for prior redemption, such Fixed Rate Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

Defeasance

The Fixed Rate Bonds are subject to legal defeasance in accordance with the Indenture. As a condition to legal defeasance of any of the Bonds, the Authority must obtain an opinion of counsel to the effect that the owners thereof will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred. See “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT—The Indenture—*Defeasance*.”

Debt Service Requirements

The following schedule sets forth, for each 12-month period ending June 30 of the years shown, the amounts required to be paid by the Authority for the payment of debt service on all Outstanding Future Tax Secured Bonds, the Fixed Rate Bonds and the Adjustable Rate Bonds expected to be issued concurrently with the issuance of the Fixed Rate Bonds.

Fiscal Year	Outstanding Future Tax Secured Bonds Debt Service ⁽¹⁾⁽²⁾⁽³⁾		Series 2013 A and B Bonds Debt Service ⁽¹⁾⁽²⁾			Total Future Tax Secured Bonds Debt Service ⁽¹⁾⁽²⁾⁽³⁾		
	Senior Debt Service	Subordinate Debt Service	Principal and Sinking Fund Requirements	Interest	Total	Senior Debt Service	Subordinate Debt Service	Total
2013.....	\$346,867,588	\$1,247,852,035		\$44,485,028	\$ 44,485,028	\$346,867,588	\$1,292,337,063	\$1,639,204,651
2014.....	247,862,564	1,351,275,805	\$41,870,000	77,384,943	119,254,943	247,862,564	1,470,530,747	1,718,393,311
2015.....	262,791,019	1,414,042,598	74,870,000	75,259,493	150,129,493	262,791,019	1,564,172,090	1,826,963,109
2016.....	188,052,140	1,539,095,664	61,655,000	72,335,018	133,990,018	188,052,140	1,673,085,681	1,861,137,821
2017.....	182,112,464	1,537,835,732	62,435,000	69,373,468	131,808,468	182,112,464	1,669,644,199	1,851,756,663
2018.....	141,148,089	1,558,610,649	65,635,000	66,551,442	132,186,442	141,148,089	1,690,797,091	1,831,945,180
2019.....	208,500,391	1,526,380,103	66,065,000	64,131,936	130,196,936	208,500,391	1,656,577,039	1,865,077,430
2020.....	216,667,502	1,457,991,043	66,495,000	61,743,868	128,238,868	216,667,502	1,586,229,911	1,802,897,413
2021.....	211,058,258	1,391,389,889	67,000,000	59,170,812	126,170,812	211,058,258	1,517,560,701	1,728,618,959
2022.....	148,654,870	1,406,065,111	73,385,000	56,366,682	129,751,682	148,654,870	1,535,816,793	1,684,471,663
2023.....	197,844,820	1,349,213,523	70,435,000	53,507,994	123,942,994	197,844,820	1,473,156,517	1,671,001,337
2024.....	184,248,765	1,180,287,003	77,925,000	50,552,868	128,477,868	184,248,765	1,308,764,871	1,493,013,636
2025.....	205,479,975	1,054,221,257	73,030,000	47,438,623	120,468,623	205,479,975	1,174,689,880	1,380,169,854
2026.....	246,669,527	968,138,707	91,115,000	43,630,125	134,745,125	246,669,527	1,102,883,832	1,349,553,359
2027.....	372,641,554	884,009,917	92,580,000	39,049,693	131,629,693	372,641,554	1,015,639,610	1,388,281,163
2028.....	361,286,280	843,270,906	90,795,000	34,477,255	125,272,255	361,286,280	968,543,161	1,329,829,441
2029.....	295,403,266	792,377,182	75,645,000	30,341,818	105,986,818	295,403,266	898,364,000	1,193,767,265
2030.....	177,239,599	779,792,821	76,500,000	26,563,760	103,063,760	177,239,599	882,856,581	1,060,096,180
2031.....	106,168,589	745,917,596	93,100,000	22,624,255	115,724,255	106,168,589	861,641,851	967,810,440
2032.....	74,819,975	678,019,966	78,065,000	19,508,000	97,573,000	74,819,975	775,592,966	850,412,941
2033.....	7,067,567	675,501,224	77,850,000	17,398,375	95,248,375	7,067,567	770,749,599	777,817,166
2034.....		637,798,949	34,495,000	16,378,000	50,873,000		688,671,949	688,671,949
2035.....		603,602,847	34,495,000	13,303,000	47,798,000		651,400,847	651,400,847
2036.....		569,709,186	40,645,000	9,211,880	49,856,880		619,566,066	619,566,066
2037.....		571,085,603	41,930,000	7,147,510	49,077,510		620,163,113	620,163,113
2038.....		543,914,617	43,280,000	5,017,260	48,297,260		592,211,877	592,211,877
2039.....		457,724,066	44,695,000	2,817,880	47,512,880		505,236,946	505,236,946
2040.....		219,339,818	34,010,000	850,250	34,860,250		254,200,068	254,200,068
2041.....		59,261,050					59,261,050	59,261,050
2042.....		35,137,050					35,137,050	35,137,050

Note: Totals may not add due to rounding.

⁽¹⁾ Figures reflect estimated debt service on tax-exempt variable rate bonds calculated at an assumed interest rate of 5% per annum and on taxable variable rate bonds at an assumed rate of 7% per annum. Figures do not reflect the federal subsidy on Build America Bonds and Qualified School Construction Bonds.

⁽²⁾ Figures include Sinking Fund Requirements deposited for payment of the principal of Qualified School Construction Bonds at maturity but not the maturing principal of Qualified School Construction Bonds.

⁽³⁾ Figures do not include debt service on bonds to be refunded with proceeds of the Refunding Bonds.

Use of Proceeds

The proceeds of the Subseries A-1 Bonds will be used for general City capital expenditures and the proceeds of the Subseries A-3 Bonds will be used to finance discrete capital purposes.

The proceeds of the Subseries A-2 Bonds will be used to finance all or a portion of the School Projects. In accordance with Section 54F(a) of the Code, the Authority expects the City to expend the proceeds of sale of the Subseries A-2 Bonds on School Projects within three years after the date of their delivery. Pursuant to its Tax Certificate, the City will notify the Authority if the City's final expenditure of the proceeds of the Subseries A-2 Bonds has not occurred by such date. The Authority's receipt of such notice will be treated as a material event under the Authority's Continuing Disclosure Undertaking. See "SECTION XII: CONTINUING DISCLOSURE UNDERTAKING" and "—Mandatory Redemption—*Extraordinary Mandatory Redemption of Subseries A-2 Bonds.*"

The proceeds of the Refunding Bonds will be used to redeem, at or prior to maturity, the Future Tax Secured Bonds identified in APPENDIX D hereto (the "Refunded Bonds") by providing for the payment of principal of and interest and redemption premium, if any, on the Refunded Bonds to the extent and to the payment dates shown in APPENDIX D. The proposed refunding is subject to the delivery of the Refunding Bonds. The Refunded Bonds were issued to finance general City capital expenditures.

Certain expenses of the Authority incurred in connection with the issuance and sale of the Fixed Rate Bonds will be paid from the proceeds of the Fixed Rate Bonds.

Book-Entry Only System

Beneficial ownership interests in the Authority's bonds and notes (the "Securities") will be available in book-entry only form. Purchasers of beneficial ownership interests in the Securities will not receive certificates representing their interests in the Securities purchased.

DTC, New York, New York, will act as securities depository for the Securities. References to the Securities under the caption "Book-Entry Only System" shall mean all Fixed Rate Bonds held in the United States through DTC. The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each principal amount of Securities of each series maturing on a specific date and bearing interest at a specific interest rate, each in the aggregate principal amount of such quantity of Security, and will be deposited with DTC.

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

Purchases of the Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Securities ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts the Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participants and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

THE AUTHORITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC OR DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SECURITIES: (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE SECURITIES; (2) CONFIRMATIONS OF THEIR OWNERSHIP

INTERESTS IN THE SECURITIES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SECURITIES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC OR DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFERING CIRCULAR.

THE AUTHORITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE SECURITIES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE SECURITIES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC AND NONE OF THE AUTHORITY, THE UNDERWRITERS OR THE INITIAL PURCHASERS MAKES 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 Fixed Rate Bonds and the Indenture, see “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”

SECTION V: THE AUTHORITY

Purpose and Operations

The Authority is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State created to issue and sell its Bonds and Notes to fund a portion of the capital program of the City, as requested by the Mayor.

The Authority does not have any significant assets or sources of funds other than the Tax Revenues and State Building Aid and amounts on deposit pursuant to the Indenture. The Bonds will not be insured or guaranteed by the City or the State. Consequently, holders of the Bonds must rely for repayment solely upon the sources of payment described herein.

The Authority is not authorized by State law to file a petition in bankruptcy.

Directors and Management

The Authority is administered by five directors, consisting of the Director of Management and Budget of the City, the Comptroller of the City, the Speaker of the City Council, the Commissioner of Finance of the City and the Commissioner of the Department of Design and Construction of the City. Three directors constitute a quorum for the transaction of business or the exercise of any power of the Authority. A favorable vote of at least three directors present at a meeting where such action is taken is necessary to approve any action, including the issuance of Bonds or Notes of the Authority or to authorize any amendatory or supplemental indenture or financing agreement of the Authority relating to such issuance. The current directors of the Authority, each of whom serves in an *ex-officio* capacity, are:

Mark Page, Chairperson	—	Director of Management and Budget of the City
David M. Frankel	—	Commissioner of Finance of the City
John C. Liu	—	Comptroller of the City
David Burney	—	Commissioner of the Department of Design and Construction of the City
Christine Quinn	—	Speaker of the City Council

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

Alan L. Anders, Executive Director

Mr. Anders was appointed Treasurer in April 1997 and subsequently was appointed Executive Director in June 2006. Mr. Anders also serves as Deputy Director for Finance of the Office of Management and Budget of the City. Prior to joining the City in September 1990, Mr. Anders was a senior investment banker for J.P. Morgan Securities since 1977 and prior to that date was Executive Director of the Commission on Governmental Efficiency and Economy in Baltimore, Maryland. Mr. Anders is a graduate of the University of Pennsylvania and the University of Maryland Law School.

Marjorie E. Henning, Secretary

Ms. Henning was appointed Secretary in April 1997. Ms. Henning also serves as General Counsel to the Office of Management and Budget of the City. Ms. Henning is a graduate of the State University of New York at Buffalo and the Harvard Law School.

F. Jay Olson, Treasurer

Mr. Olson was appointed Assistant Treasurer in October 2000 and subsequently was appointed Treasurer in June 2006. Mr. Olson is a graduate of Northwestern University, the University of Texas at Austin, and the John F. Kennedy School of Government at Harvard University.

Philip Wasserman, Deputy Treasurer

Mr. Wasserman was appointed Deputy Treasurer in January 2009. He is a graduate of Cornell University, the University of Texas at Austin and Columbia University. He is also a Professional Engineer.

Prescott D. Ulrey, General Counsel

Mr. Ulrey was appointed Assistant Secretary in 1998 and subsequently was appointed General Counsel in 2000. He is a graduate of the University of California at Berkeley, the Fletcher School of Law and Diplomacy at Tufts University and Columbia Law School. He also serves as Counsel to the Office of Management and Budget of the City.

Michele Mark Levine, Comptroller

Ms. Levine was appointed Comptroller in February 2008, after acting as Assistant Comptroller since March 2005. She is a graduate of the State University of New York at Binghamton and the Maxwell School of Citizenship and Public Administration at Syracuse University.

Robert L. Balducci, Deputy Comptroller

Mr. Balducci was appointed Deputy Comptroller in March 2011, after acting as Assistant Comptroller since January 2009. He is a graduate of Baruch College of the City University of New York.

Kemraj Narine, Assistant Comptroller

Mr. Narine was appointed Assistant Comptroller in March 2011. He is a graduate of York College of the City University of New York.

Albert F. Moncure, Jr., Assistant Secretary

Mr. Moncure was appointed Assistant Secretary in 1998. He is a graduate of Dartmouth College and the Yale Law School. He also serves as Chief of the Municipal Finance Division of the New York City Law Department, where he has worked since 1986.

Other Authority Obligations

Assuming conditions specified in the Act and the Indenture are met and subject to the limitations described below, the Act authorizes the Authority to issue Future Tax Secured Bonds for general City capital purposes and for refunding of Future Tax Secured Bonds. The Act has been amended several times to increase the amount of debt the Authority is authorized to issue. Most recently, the Act was amended by Chapter 182 of the Laws of New York, 2009, which permits the Authority to have outstanding \$13.5 billion of Future Tax Secured Bonds (including Senior Bonds and Parity Debt but excluding Recovery Obligations). In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of July 31, 2012, the City's and the Authority's combined debt-incurring capacity was approximately \$23.6 billion. The statutory debt limits are binding on the Authority but are not covenants with Bondholders and are subject to change by legislation adopted by the State.

The Authority's contracts with its Bondholders, including limitations on Senior Bonds, coverage tests and other restrictions on the issuance of additional Bonds, are set forth in the Indenture and summarized in "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT". These contracts can be changed only in accordance with the provisions of the Indenture relating to the amendments thereto. For information relating to anticipated issuance of Future Tax Secured Bonds, see "—Plan of Finance."

The Act also permits the Authority to have outstanding an additional \$2.5 billion of its Recovery Obligations. The School Financing Act authorizes the issuance of Building Aid Revenue Bonds of the Authority in an amount outstanding of up to \$9.4 billion to finance portions of the City's educational facilities capital plan. Building Aid Revenue Bonds are secured by State Building Aid assigned by the City to the Authority. Building Aid Revenue Bonds are not secured by Tax Revenues.

The Authority has Outstanding \$20,952,965,000 of Future Tax Secured Bonds consisting of \$3,580,940,000 of Senior Bonds and \$17,372,025,000 of Parity Debt (including \$1,371,700,000 of Recovery Obligations), which are the only Subordinate Bonds payable from the Tax Revenues. Of such Senior Bonds, \$1,177,500,000 are variable rate bonds. Of such Parity Debt, \$2,123,600,000 are variable rate bonds. For further information regarding the Authority's variable rate bonds, see APPENDIX C hereto.

The Authority has Outstanding \$6,148,780,000 of Building Aid Revenue Bonds. The Authority expects to issue additional Building Aid Revenue Bonds in the future. All of the Building Aid Revenue Bonds are fixed rate bonds. Building Aid Revenue Bonds are not secured by Tax Revenues. Currently, the Authority has no Senior Agreements.

Plan of Finance

The Authority projects that it will issue approximately \$3.4 billion, \$2.6 billion, \$2.4 billion and \$2.2 billion during fiscal years 2013 through 2016, respectively, of Future Tax Secured Bonds for general City capital purposes, including the Series 2013 Bonds. The Authority also expects to issue refunding bonds from time to time. The Authority may issue such Future Tax Secured Bonds as either Senior Bonds or Parity Debt or combinations thereof.

SECTION VI: LITIGATION

There is not now pending any litigation (i) restraining or enjoining the issuance or delivery of the Series 2013 Bonds or questioning or affecting the validity of the Series 2013 Bonds or the proceedings and authority under which they are issued; (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 enter into 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 Personal Income Tax and Sales Tax in any material respect, or the application of the Personal Income Tax and Sales Tax for the purposes contemplated by the Act, or the procedure thereunder.

SECTION VII: TAX MATTERS

In the opinion of Sidley Austin LLP, New York, New York, as Bond Counsel, interest on the Fixed Rate Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

Tax-Exempt Bonds

The Authority and the City have covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion from gross income of the interest the Subseries A-1 Bonds and the Refunding Bonds (collectively, the "Tax-Exempt Bonds") for purposes of federal income taxation. In the opinion of Bond Counsel, assuming compliance by the Authority and the City with such provisions of the Code, interest on the Tax-Exempt Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation. Failure by the Authority or the City to comply with such applicable requirements may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds. Further, Bond Counsel will render no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action taken or not taken after the date of such opinion without the approval of Bond Counsel.

Interest on the Tax-Exempt Bonds will not be an item of tax preference for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Sidley Austin LLP renders no opinion, as a result of ownership of such Tax-Exempt Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income. Interest on the Tax-Exempt Bonds owned by a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability.

Collateral Consequences. Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the earned income tax

credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Original Issue Discount. The excess, if any, of the amount payable at maturity of any maturity of the Tax-Exempt Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Tax-Exempt Bonds with original issue discount (a “Discount Bond”) will be excluded from gross income for federal, State and City income tax purposes to the same extent as interest on the Tax-Exempt Bonds. In general, the issue price of a maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of Tax-Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser’s adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation’s federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculations of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is subject to redemption prior to its stated maturity, or a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

Premium. The excess, if any, of the tax basis of Tax-Exempt Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Tax-Exempt Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” Bond premium is amortized over the term of such Tax-Exempt Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Tax-Exempt Bonds are required to decrease their adjusted basis in such Tax-Exempt Bonds by the amount of amortizable bond premium attributable to each taxable year such Tax-Exempt Bonds are held. The amortizable bond premium on such Tax-Exempt Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, U.S. Treasury regulations provide that bond premium is treated as an offset to qualified stated interest received on such Tax-Exempt Bonds. Owners of such Tax-Exempt Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Tax-Exempt Bonds and with respect to the state and local tax consequences of owning and disposing of such Tax-Exempt Bonds.

Backup Withholding. Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Tax-Exempt Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a

beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Taxable Bonds

* * * * *

Circular 230 Notice. Any discussion of U.S. federal tax issues set forth in this Offering Circular relating to the Subseries A-2 Bonds and the Subseries A-3 Bonds (together, the "Taxable Bonds") was written in connection with the promotion and marketing of the transactions described in this Offering Circular. Such discussion is not intended or written to be legal or tax advice with respect to the Taxable Bonds to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U. S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

* * * * *

In General

Interest on the Taxable Bonds will be includable in the gross income of the owners thereof for purposes of federal income taxation. See "*Certain U.S. Federal Income Tax Considerations*" below.

Certain U.S. Federal Income Tax Considerations

The following summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates), which change may be retroactive, or possible differing interpretations. It deals only with the Taxable Bonds held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, persons holding the Taxable Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the U.S. dollar. It also does not deal with holders other than investors who purchase Taxable Bonds in the initial offering at the first price at which a substantial amount of such substantially identical bonds are sold to the general public (except where otherwise specifically noted). Persons considering the purchase of the Taxable Bonds should consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Taxable Bonds arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Taxable Bond that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996 and properly elected to continue to be treated as a United States person. Moreover, as used herein, the term "U.S. Holder" includes any holder of a Taxable Bond whose income or gain in respect of its investment in a Taxable Bond is effectively connected with the U.S. trade or business. As used herein, the term "Non-U.S. Holder" means a beneficial Owner of a Taxable Bond (other than an entity that is classified as a partnership) that is not a U.S. Holder.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) is the beneficial owner of any Taxable Bond, the treatment of a partner in that partnership will generally depend upon the status of such partner and the activities of such partnership. A partnership and any partner in a partnership holding Taxable Bonds should consult its own tax advisor.

Payments of Interest. Payments of interest on a Taxable Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting), provided such interest is "qualified stated interest," as defined below.

Original Issue Discount. The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Taxable Bonds issued with original issue discount ("OID Bonds"), if any. The following summary is based upon final Treasury regulations (the "OID Regulations") released by the Internal Revenue Service ("IRS") under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a *de minimis* amount (generally $\frac{1}{4}$ of 1% of the bond's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of each maturity of substantially identical Taxable Bonds equals the first price at which a substantial amount of such maturity of Taxable Bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Taxable Bond is the sum of all payments provided by the Taxable Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a Taxable Bond are generally taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

A U.S. Holder of an OID Bond must include original issue discount in income as ordinary interest income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of an OID Bond is the sum of the daily portions of original issue discount with respect to such OID Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such OID Bond. The "daily portion" of original issue discount on any OID Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the OID Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the OID Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of an OID Bond at the beginning of any accrual period is the sum of the issue price of the OID Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the OID Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases an OID Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the OID Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the OID Bond at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such OID Bond for any taxable year (or portion thereof in which the U.S. Holder holds the OID Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues

on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Market Discount. If a U.S. Holder purchases a Taxable Bond, other than an OID Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of an OID Bond, for an amount that is less than its adjusted issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Taxable Bond at a “market discount,” unless the amount of such market discount is less than a specified *de minimis* amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of an OID Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Taxable Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in gross income and is treated as having accrued on such Taxable Bonds at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Taxable Bonds, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Taxable Bond with market discount until the maturity of such Taxable Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income or gain upon the disposition of the Taxable Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Premium. If a U.S. Holder purchases a Taxable Bond for an amount that is greater than the sum of all amounts payable on the Taxable Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Taxable Bond with “amortizable bond premium” equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Taxable Bond and may offset interest otherwise required to be included in respect of the Taxable Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Taxable Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Taxable Bond. However, if the Taxable Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of the Taxable Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any Taxable Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such Taxable Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder’s tax basis in the Taxable Bond and (B) the sum of all amounts payable on such Taxable Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder’s tax basis in such Taxable Bond and (Y) the sum of all amounts payable on such Taxable Bond after the purchase date due on or before the early call date, other than payments of qualified stated interest. If a Taxable Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be

allowed a deduction for the excess of the U.S. Holder's tax basis in the Taxable Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the Taxable Bond will be treated as "reissued" on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section "Premium." The rules relating to Taxable Bonds that may be optionally redeemed are complex and, accordingly, prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of a Taxable Bond. Except as discussed above, upon the sale, exchange or retirement of a Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's adjusted tax basis in the Taxable Bond. A U.S. Holder's adjusted tax basis in a Taxable Bond generally will equal such U.S. Holder's initial investment in the Taxable Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Taxable Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. Holder is an individual, long-term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Medicare Tax. For taxable years beginning after December 31, 2012, an additional 3.8% tax will be imposed on the net investment income (which includes interest, original issue discount and gains from a disposition of a Taxable Bond) of certain individuals, trust and estates. Prospective investors in the Taxable Bonds should consult their tax advisors regarding the possible applicability of this tax to an investment in the Taxable Bonds.

Non-U.S. Holders

A non-U.S. Holder will not be subject to United States federal income taxes on payments of principal, premium (if any), interest (including original issue discount, if any) on a Taxable Bond, unless such non-U.S. Holder is a bank receiving interest described in section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- is signed by the beneficial owner of the Taxable Bond under penalties of perjury,
- certifies that such owner is not a U.S. Holder, and
- provides the beneficial owner's name and address.

A "Withholding Agent" is the last United States payor (or a non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person, or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. Holder (which itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN ("W-8BEN"), which is effective for the remainder of the year of signature plus three full calendar years unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided that the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of such change and furnish a new W-8BEN. A non-U.S. Holder who is not an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding the Taxable Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Taxable Bonds held by a foreign partnership (or foreign trust), the partners (or beneficiaries) rather than the partnership (or trust) will be required to provide the certification discussed above, and the partnership (or trust) will be required to provide certain additional information.

A non-U.S. Holder whose income with respect to its investment in a Taxable Bond is effectively connected with the conduct of a U.S. trade or business would generally be taxed as if the holder was a U.S. person provided the holder provides to the Withholding Agent an IRS Form W-8ECI.

Certain securities clearing organizations, and other entities who are not beneficial owners, may be able to provide a signed statement to the Withholding Agent. However, in such case, the signed statement may require a copy of the beneficial owner's W-8BEN (or the substitute form).

Generally, a non-U.S. Holder will not be subject to United States federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Taxable Bond, unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States. Certain other exceptions may be applicable, and a non-U.S. Holder should consult its tax advisor in this regard.

The Taxable Bonds will not be includable in the estate of a non-U.S. Holder unless, at the time of such individual's death, payments in respect of the Taxable Bonds would have been effectively connected with the conduct by such individual of a trade or business in the United States.

Backup Withholding

Backup withholding of United States federal income tax may apply to payments made in respect of the Taxable Bonds to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Taxable Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Taxable Bond to (or through) a broker, the broker must report the sale and withhold on the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller certifies that such seller is a non-U.S. Holder (and certain other conditions are met). Certification of the registered owner's non-U.S. status would be made normally on an IRS Form W-8BEN under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the IRS.

Future Developments

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation or may cause interest on the Fixed Rate Bonds to be subject, directly or indirectly, to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Fixed Rate Bonds. Prospective purchasers of the Fixed Rate Bonds should consult their tax advisors regarding any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

For example, based on a proposal by the President, the Senate Majority Leader introduced a bill, S. 1549 (the "Proposed Legislation"), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Tax-Exempt Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation in tax years beginning after December 31, 2012. The Proposed Legislation would also provide special rules for such bondholders that are also subject to the alternative minimum tax. It is

unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the Tax-Exempt Bonds to a tax or cause interest on the Tax-Exempt Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted, in its current form or as it may be amended, or such other legislation on their individual situations.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and section 4975 of the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In addition, each fiduciary of a Plan (“Plan Fiduciary”) must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Fixed Rate Bonds, including the role that such an investment in the Fixed Rate Bonds would play in the Plan’s overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Fixed Rate Bonds, must be satisfied that such investment in the Fixed Rate Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Fixed Rate Bonds, are diversified so as to minimize the risk of large losses and that an investment in the Fixed Rate Bonds complies with the documents of the Plan and related trust, to the extent that such documents are consistent with ERISA. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Fixed Rate Bond.

SECTION VIII: RATINGS

The Fixed Rate Bonds are rated “AAA” by Standard & Poor’s, “Aa1” by Moody’s and “AAA” by Fitch. Such ratings reflect only the views of Standard & Poor’s, Moody’s and Fitch from which an explanation of the significance of such ratings may be obtained. 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 revision or withdrawal of such ratings may have an effect on the market price of the Fixed Rate Bonds.

SECTION IX: APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance and delivery of the Series 2013 Bonds are subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters are subject to the approval of the New York City Corporation Counsel, counsel to the Authority, and of Winston & Strawn LLP, New York, New York, counsel to the Underwriters and the Initial Purchasers.

SECTION X: FINANCIAL ADVISORS

Public Resources Advisory Group, New York, New York, and Public Financial Management, New York, New York, are acting as financial advisors to the Authority in connection with the issuance of the Series 2013 Bonds.

SECTION XI: FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the years ended June 30, 2011 and June 30, 2010 included in APPENDIX B to this Offering Circular have been audited by Marks Paneth & Shron LLP, independent certified public accountants, as stated in their report appearing therein. Marks Paneth & Shron LLP, the Authority’s independent auditor has not reviewed, commented on or approved, and is not associated with, this Offering Circular. The report of Marks Paneth & Shron LLP relating to the Authority’s financial statements for the fiscal years ended June 30, 2011 and 2010, which is a matter of public record, is included in this Offering Circular. However, Marks Paneth & Shron LLP has not performed any procedures on any financial statements or other financial information of the Authority, including without limitation any of the information contained in this Offering Circular, since the date of such report and has not been asked to consent to the inclusion of its report in this Offering Circular.

SECTION XII: CONTINUING DISCLOSURE UNDERTAKING

To the extent that Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (“SEC”) promulgated under the Securities Exchange Act of 1934, as amended (the “1934 Act”), requires underwriters (as defined in the Rule) to determine, as a condition to purchasing the securities, that the Authority will make such covenants, the Authority will covenant as follows:

The Authority shall provide:

(a) within 185 days after the end of each Fiscal Year, to the Electronic Municipal Market Access system (“EMMA”) (<http://emma.msrb.org>) established by the Municipal Securities Rulemaking Board (the “MSRB”), core financial information and operating data for the prior fiscal year, including (i) the Authority’s audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the Authority’s revenues, expenditures, financial operations and indebtedness, generally of the types found under “SECTION II” and “SECTION III” herein; and

(b) in a timely manner not in excess of 10 Business Days after the occurrence of the event notice to EMMA, notice of any of the following events with respect to the Fixed Rate Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Fixed Rate Bonds, or other material events affecting the tax status of the Fixed Rate Bonds;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Fixed Rate Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Authority; which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority;

- (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) notice of the failure to expend the proceeds of the sale of the Qualified School Construction Bonds within the Expenditure Period; and
- (16) failure by the Authority to comply with clause (a) above.

The Authority will not undertake to provide any notice with respect to (1) credit enhancement if the credit enhancement is added after the primary offering of the Fixed Rate Bonds, the Authority does not apply for or participate in obtaining the enhancement and the enhancement is not described in the applicable Offering Circular; (2) a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if (a) the terms, dates and amounts of redemption are set forth in detail in the applicable offering circular, (b) the only open issue is which securities will be redeemed in the case of a partial redemption, (c) notice of redemption is given to the Holders as required under the terms of the Indenture and (d) public notice of the redemption is given pursuant to Release No. 23856 of the SEC under the 1934 Act, even if the originally scheduled amounts may be reduced by prior optional redemptions or purchases; or (3) tax exemption other than pursuant to the Act or Section 103 of the Code.

No Holder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the continuing disclosure undertaking (the "Undertaking") or for any remedy for breach thereof, unless such Holder shall have filed with the Authority evidence of ownership and a written notice of and request to cure such breach, the Authority shall have refused to comply within a reasonable time and such Holder stipulates that (a) no challenge is made to the adequacy of any information provided in accordance with the Undertaking and (b) no remedy is sought other than substantial performance of the Undertaking. All Proceedings shall be instituted only as specified herein, in the federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the outstanding bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

An amendment to the Undertaking may only take effect if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of award of a series of bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Holders of bonds, as determined by parties unaffiliated with the Authority (such as, but without limitation, the Authority's financial advisor or bond counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the "impact" (as that word is used in the letter from the SEC staff to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) all or any part of the Rule, as interpreted by the staff of the SEC on the date of the Undertaking ceases to be in effect for any reason, and the Authority elects that the Undertaking shall be deemed terminated or amended (as the case may be) accordingly.

For purposes of the Undertaking, a beneficial owner of a bond includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such bond, subject to certain exceptions as set forth in the Undertaking. Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request described above.

The Authority has complied, in all material respects, with its continuing disclosure undertakings pursuant to the Rule.

SECTION XIII: UNDERWRITING

The Subseries A-1 Bonds and the Refunding Bonds are being purchased for reoffering by the Underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as Lead Manager.

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Subseries A-1 Bonds from the Authority at an aggregate underwriters' discount of \$357,362.18 and to make an initial public offering of the Subseries A-1 Bonds at prices that are not in excess of the initial public offering prices set forth on the inside cover page of this Offering Circular, plus accrued interest, if any.

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Refunding Bonds from the Authority at an aggregate underwriters' discount of \$4,324,472.06 and to make an initial public offering of the Refunding Bonds at prices that are not in excess of the initial public offering prices set forth on the inside cover page of this Offering Circular, plus accrued interest, if any.

The Subseries A-1 Bonds and the Refunding Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriters.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the Subseries A-1 Bonds and the Refunding Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Subseries A-2 Bonds are being purchased for reoffering by Barclays Capital Inc. (the "Subseries A-2 Initial Purchaser") pursuant to a notice of sale, as supplemented, at an aggregate discount of \$1,110,000.

The Subseries A-3 Bonds are being purchased for reoffering by RBC Capital Markets (the "Subseries A-3 Initial Purchaser" and, together with the Subseries A-2 Initial Purchaser, the "Initial Purchasers") pursuant to a notice of sale, as supplemented, at an aggregate discount of \$337,145.

The Underwriters, the Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters, the Initial Purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

The delivery of the Subseries A-1 Bonds and the Subseries A-3 Bonds is dependent upon the delivery of all of the Subseries A-1 Bonds, the Subseries A-2 Bonds and the Subseries A-3 Bonds.

SECTION XIV: VERIFICATION

The accuracy of (i) the mathematical computations of the adequacy of the maturing principal of and interest earned on the government obligations to be held in escrow to provide for the payment of the principal of and interest

and redemption premiums, if any, on the bonds identified in APPENDIX D hereto and (ii) certain mathematical computations supporting the conclusion that the bonds are not “arbitrage bonds” under the Code, will be verified by Grant Thornton LLP, as verification agent.

SECTION XV: LEGAL INVESTMENT

Pursuant to the Act, the Bonds and 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 Bonds and 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 XVI: 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 Bonds are fully set forth in the Indenture. Neither any advertisement of the Bonds nor this Offering Circular are to be construed as a contract with purchasers of the Series 2013 Bonds.

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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SUMMARY OF INDENTURE AND AGREEMENT

This summary of the Indenture and the Agreement, each as proposed to be in effect upon the delivery of the Series 2013 Bonds, 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, the Assignment or the Agreement:

“Accounts” means the School Bond Account, the Recovery and Parity Debt Account, the Collection Account, the Bond Account, the Redemption Account and such other Accounts as may be established and so designated pursuant to the Indenture.

“Act” means the New York City Transitional Finance Authority Act, as in effect from time to time, and as the context requires, other provisions of Chapter 16 of the laws of New York 1997, as amended, and the School Financing Act.

“Agreement” means the Financing Agreement dated October 1, 1997, between the Authority and the City as amended, supplemented and in effect from time to time.

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.

“Annual School Bond Debt Service” means the total amount required to be paid from the School Bond Account in a Fiscal Year, based on School Bonds Outstanding and to be issued.

“Assignment” means the Assignment of State Aid dated October 19, 2006, as amended, and includes each further assignment of State aid by the City to the Authority pursuant to the School Financing Act.

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

“Bondholders,” “Holders” “Noteholders” and similar terms mean the registered owners of the Bonds and Notes from time to time as shown on the books of the Authority, and, to the extent specified by Series Resolution, the owners of bearer Bonds and Notes.

“Bonds” means all obligations issued by the Authority as bonds.

“Build America Bonds” or “BABs” means build America bonds under Section 54AA of the Tax Code.

“Building Aid” means the State school building aid described in the Assignment.

“Building Aid Subaccount” means the subaccount of the Collection Account so designated and held by the Trustee pursuant to the Indenture.

“Business Day” means, subject to the Series Resolutions, a day (a) other than a day on which commercial banks in the City of New York, New York, are required or authorized by law or executive order to close and (b) on which neither the City nor the New York Stock Exchange is closed.

“Capital Financing Need” means a period during which and only the extent to which the issuance of Bonds or Notes in accordance with the Act would assist the City in meeting its capital needs as determined by the Mayor pursuant to the Act.

“Chapter 297” means Chapter 297 of the Laws of 2001 of the State, as it may be amended and in effect from time to time.

“Collection Quarter” means the three months beginning each August, November, February and May.

“Competing Claims” include all claims to, and diversions, reductions and withholdings of, Education Aid adverse to the Authority, such as: (x) claims of (i) holders of general obligation bonds of the City issued for school purposes; (ii) holders of the State of New York Municipal Bond Bank Agency Special School Purpose Revenue Bonds (Prior Year Claims), 2003 Series C; and (iii) holders of the New York City Educational Construction Fund Revenue Bonds, 2005 Series A; and (y) State withholdings or recoveries of Education Aid for the City’s failure to provide certain educational services (e.g., courses in special areas, certain number of instructional days, certain health services, services for handicapped students, administrative practices or willful disobedience of certain laws or directives) or to otherwise correct errors or omissions in apportionments of Education Aid pursuant to Subdivision 5 of Section 3604 of the Education Law, as statutorily mandated.

“Confirmed Building Aid” means Building Aid statutorily required to be paid to the Authority with respect to approved projects, subject to appropriation, but not to any other statutory or administrative conditions or approvals, and which shall be calculated in accordance with the State Covenant and with the building aid ratios applicable to such projects at the date of calculation.

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

“Debt Service” or **“Senior Debt Service”** means interest, redemption premium, purchase price to the extent provided by Officer’s Certificate, Sinking Fund Requirements and (without duplication) principal payments due on or on account of Outstanding Senior Bonds and (to the extent provided by Series Resolution) Notes and amounts payable from the Bond Account on Senior Agreements. Principal of Notes and termination payments on swap contracts shall be deemed Debt Service only to the extent expressly specified in the text of a Series Resolution.

“Deductions” refers to (i) the practice in effect at the date hereof under which, pursuant to the Education Law, the State Comptroller deducts from Education Aid amounts required to reimburse the State for certain expenditures made by the State for the education of blind, deaf and handicapped children resident in the City and (ii) withholdings, disallowances or recoveries of Education Aid as a result of administrative reviews, audits or other procedures relating to such Education Aid, other than administrative reviews, audits or other procedures relating to Building Aid.

“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 and interest on obligations described in clause (B), 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;

(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), (C) or (E) which fund may be applied only to the payment when due of such bonds or other obligations; and

(E) with respect to Bonds issued on and after (x) March 24, 2004, direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, FNMA, or the Federal Farm Credit System and (y) August 2, 2010, all obligations described in clause (ii) of the definition of Eligible Investments.

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

“Education Aid” means all State aid that may be forwarded to the Paying Agent for the benefit of the Holders of School Bonds and School Notes pursuant to § 99-b of the State Finance Law.

“Eligible Investments” means the following obligations to the extent they are legal for investment of money under the Indenture pursuant to any applicable provision of the Act:

- (i) Defeasance Collateral;
- (ii) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, FNMA, the Federal Home Loan Bank System 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 Standard & Poor’s 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;
- (iv) general obligations of, or obligations guaranteed by, any state of the United States or the District of Columbia receiving one of the two highest long-term unsecured debt ratings available for such securities by Moody’s and Standard & Poor’s;
- (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 Standard & Poor’s and in one of the two highest categories by Moody’s;
- (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) securities bearing interest or sold at a discount that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated in one of the two highest categories by Moody’s and either A-1+ or in one of the two highest long-term categories by Standard & Poor’s at the time of such investment or contractual commitment providing for such investment; provided, however, that securities issued by any such corporation will not be Eligible Investments to the extent that investment therein would cause the then outstanding principal amount of securities issued by such corporation that are then held to exceed 20% of the aggregate principal amount of all Eligible Investments then held;
- (viii) 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 at least AAm or AAm-G by Standard & Poor's, including if so rated the VISTA Money Market Funds or any other 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);

- (ix) investment agreements or guaranteed investment contracts 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 its two highest rating categories for comparable types of obligations by Moody's and Standard & Poor's; or
- (x) 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 in one of the two highest categories and Standard & Poor's has rated the investment agreements of such corporation in one of the two highest categories and (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 or the investment agreements of such corporation are downgraded below the two highest categories by Standard & Poor's;

provided that no Eligible Investment may evidence the right to receive only interest with respect to prepayable obligations underlying such instrument or 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.

"Federal Subsidy" means Revenues, paid or payable to the Authority or its assignee by the United States Treasury in respect of BABs or QSCBs pursuant to Section 6431 of the Tax Code, or such other federal subsidy as may be identified by Series Resolution.

"FHLMC" means the Federal Home Loan Mortgage Corporation.

"Fiduciary" means the Trustee, any representative of the Holders of Notes or Subordinate Bonds appointed by Series Resolution, or any Paying Agent, including each fiscal agent.

"First-Month Requirement" means, for any subaccount funded by Tax Revenues, one-half of Quarterly Senior Debt Service or one-half of Quarterly Subordinate Debt Service payable therefrom, plus any amount payable therefrom in the current Payment Period and any overdue Sinking Fund Requirement.

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

"Fiscal Year" means each 12-month period beginning July 1.

"FNMA" means the Federal National Mortgage Association.

"Full Requirement" means, for any subaccount funded by Tax Revenues, the Quarterly Senior Debt Service or Quarterly Subordinate Debt Service payable therefrom, plus any amount payable therefrom in the current Payment Period and any overdue Sinking Fund Requirement.

“HYIC” means the Hudson Yards Infrastructure Corporation, a local development corporation organized under the Not-For-Profit Corporation Law of the State.

“Indenture” means the Amended and Restated Original Indenture entered into as of October 1, 1997, as supplemented, and as amended and restated.

“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 Series Resolution.

The term **“maximum annual debt service on the Bonds”** means the greatest amount of interest, Sinking Fund Requirements and (without duplication) principal payments on Outstanding Bonds (including Subordinate Bonds and Senior Bonds but excluding Notes and ancillary and swap contracts, whether or not payments thereon are 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.

“MOU” means the Memorandum of Understanding relating to the Education Aid, dated as of October 26, 2006, among the Authority, the City, the State Comptroller and the State Education Department.

“Net Building Aid” means Confirmed Building Aid, net of any Competing Claims that the Authority expects to be applied against the Building Aid.

“Notes” means all obligations issued by the Authority as notes.

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 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 for which there have 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 the payment of which shall have been provided for pursuant to the defeasance provisions 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 City or any person controlling, controlled by or under common control with either of them.

“Parity Debt” means Recovery Obligations and Bonds or Notes payable from the Recovery and Parity Debt Account on a parity with the Recovery Bonds or Recovery Notes, respectively.

“Payment Period” means the three months following each Collection Quarter.

“Personal Income Taxes” means the taxes paid or payable to the Authority pursuant to §1313 of the Tax Law or a successor statute.

“Post-07 S-1 Parity Debt” means Parity Debt issued after November 16, 2006, or so identified pursuant to a Series Resolution.

“Post-07 S-1 Parity Subaccount” means the subaccount so designated and held by the Trustee pursuant to the Indenture, which subaccount shall be applied to the payment of Post-07 S-1 Parity Debt.

“Post-07 S-1 Senior Debt” means obligations payable from the Bond Account that are either incurred after November 16, 2006, or identified as Post-07 S-1 Senior Debt pursuant to a Series Resolution.

“Post-07 S-1 Senior Subaccount” means the subaccount so designated and held by the Trustee pursuant to the Indenture, which subaccount shall be applied to the payment of Post-07 S-1 Senior Debt.

“Pre-07 S-1 Parity Debt” means Parity Debt that is not Post-07 S-1 Parity Debt.

“Pre-07 S-1 Parity Subaccount” means the subaccount so designated and held by the Trustee pursuant to the Indenture, which subaccount shall be applied to the payment of Pre-07 S-1 Parity Debt.

“Pre-07 S-1 Senior Bonds” means Senior Bonds that are not Post-07 S-1 Senior Debt.

“Pre-07 S-1 Senior Subaccount” means the subaccount so designated and held by the Trustee pursuant to the Indenture, which subaccount shall be applied to the payment of Pre-07 S-1 Senior Bonds.

“Prior Claims” means the Competing Claims to which the Authority’s right to the Building Aid is subordinated by the School Financing Act.

“Project Capital Costs” or **“Costs”** means (i) costs, appropriated in the capital budget of the City pursuant to Chapters 9 and 10 of the City Charter, as amended from time to time, providing for the construction, reconstruction, acquisition or installation of physical public betterments or improvements which would be classified as capital assets under generally accepted accounting principles for municipalities, or (ii) the costs of any preliminary studies, surveys, maps, plans, estimates and hearings, or (iii) incidental costs, including legal fees, printing or engraving, publication of notices, taking of title, apportionment of costs, and interest during construction, or (iv) any underwriting or other costs incurred in connection with the financing thereof, or (v) to the extent financed by Recovery Obligations, Recovery Costs (the financing of which is not limited by references to the Capital Financing Need), but (vi) to the extent financed by School Bonds or School Notes, only School Capital Costs.

“Projects” means the projects identified in Exhibit A to the Agreement and all other projects, any costs of which are included in a Transitional Capital Plan pursuant to the Act or are Recovery Costs, and financed, by payment or reimbursement, with the proceeds of Bonds or Notes.

“Qualified School Construction Bonds” or **“QSCBs”** means qualified school construction bonds under Section 54F of the Tax Code.

“Qualified Swap” means an ancillary or swap contract with a counterparty (i) the debt securities of which are rated in one of the two highest long-term debt rating categories by S&P or (ii) the obligations of which under the contract are either guaranteed or insured by an entity the debt securities or insurance policies of which are so rated or (iii) the debt securities of which are rated in the third highest long-term debt rating category by S&P or whose obligations are guaranteed or insured by an entity so rated, in either case the obligations of which under the contract are continuously and fully secured by Eligible Investments meeting criteria provided by S&P to the Authority and then in effect.

“Quarterly Debt Service” or **“Quarterly Senior Debt Service”** means as of any date, Senior Debt Service for the following Payment Period, as certified to the Trustee by Officer’s Certificate.

“Quarterly Subordinate Debt Service” means as of any date, Subordinate Debt Service for the following Payment Period, as certified to the Trustee by Officer’s Certificate.

“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 Category” means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

“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.

“Recovery and Parity Debt Account” or “Recovery Account” means the Account established under the Indenture to provide for the payment of debt service on Recovery Obligations and Parity Debt.

“Recovery Bonds” means Recovery Obligations issued as Bonds.

“Recovery Costs” means costs described in Chapter 297.

“Recovery Notes” means Recovery Obligations issued as Notes.

“Recovery Obligations” means bonds, notes or other obligations described in Chapter 297.

“Remaining Building Aid” means the Authority’s projection of the balance of Net Building Aid to be received in the current Fiscal Year, based on the latest estimates from the State and such other information as the Authority deems relevant.

“Revenues” means the Tax Revenues (including Alternative Revenues paid or payable to the Authority), the Building Aid and all aid, rents, fees, charges, payments and 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.

“Sales Taxes” means Alternative Revenues as defined in the Act; that is, (i) sales and compensating use taxes that the City is authorized by the State to impose and (ii) taxes imposed pursuant to § 1107 of the Tax Law; and successor taxes.

“School Bond Account” means the account so designated and held by the Trustee pursuant to the Indenture.

“School Bond Rating Confirmation” means evidence that no School Bond rating in effect at the request of the Authority from a nationally recognized statistical rating organization will be withdrawn or reduced in Rating Category solely as a result of an action to be taken under the Indenture.

“School Bonds” means School Obligations issued as Bonds.

“School Capital Costs” means Costs referred to in the School Financing Act.

“School Financing Act” means part A-3 of chapter 58 of the laws of New York, 2006, as it may be amended and in effect from time to time.

“School Notes” means School Obligations issued as Notes, which shall mature within 13 months from their date of issue.

“School Obligations” means bonds, notes, swaps and ancillary contracts payable from the School Bond Account.

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

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

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

“Series Fiscal Year” means each Fiscal Year in which School Bonds of a Series are scheduled to be Outstanding; in which, unless otherwise specified by Series Resolution, each payment of principal or interest shall be made on July 15 or January 15.

“Sinking Fund” means each Sinking Fund Subaccount under the Indenture. To the extent necessary for compliance with the Authority’s tax covenants and other provisions of the Indenture and the Act, the Authorized Officers of the Authority may subdivide each such subaccount in respect of separate categories or issues of Sinking Fund Bonds.

“Sinking Fund Bonds” means Bonds so designated by Series Resolution that are issued pursuant to the Indenture, the Act and such provisions of the LFL as are not inappropriate to be applied to the Sinking Fund Bonds.

“Sinking Fund Requirement” means each annual scheduled contribution to a Sinking Fund for the redemption, at or prior to maturity, of Sinking Fund Bonds of a Series. The Authority may apply or credit against any Sinking Fund Requirement the principal amount of any Bonds to which that Sinking Fund Requirement applies that have been purchased or redeemed and not previously so applied or credited.

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

“State” means the State of New York.

“Statutory Revenues” means Personal Income Taxes and Sales Taxes.

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

“Subordinate Bonds” means all Bonds but Senior Bonds.

“Subordinate Debt Service” means interest, redemption premium, purchase price to the extent provided by Officer’s Certificate, Sinking Fund Requirements and (without duplication) principal payments due on or on account of Outstanding Parity Debt issued as Bonds and interest on Parity Debt issued as Notes.

The term **“swap contract”** or **“swap”** means an interest rate exchange or similar agreement entered into by the Authority with Rating Confirmation by Standard & Poor’s pursuant to the Act and any appropriate provisions of the LFL that are applicable to the City and made applicable to the Authority by the Act.

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

“Tax Revenue Subaccount” means the subaccount of the Collection Account so designated and held by the Trustee pursuant to the Indenture.

“Tax Revenues” means the Personal Income Taxes and such other revenues, including Sales Taxes (but excluding Building Aid), as the Authority may derive directly from the State from taxes imposed by the City or the State and collected by the State.

“Transitional Capital Plan” means such plan in effect pursuant to the Act.

“Unfunded Balance,” with respect to the Building Aid, means Annual School Bond Debt Service remaining to be paid in a Fiscal Year, plus Annual School Bond Debt Service for the following Fiscal Year, minus the amount held in the School Bond Account, but not less than zero.

THE INDENTURE

Directors, State and City 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 City, and neither the State nor the City 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 (a) the Revenues, (b) all rights to receive the Revenues and the proceeds of such rights, (c) all money and Accounts held by the Trustee, (d) the covenants of the City and the State and (e) any and all other property of every kind and nature from time to time, by delivery or by writing of any kind, 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 its benefit and not for that of the Beneficiaries, or (ii) any right or power reserved to the Authority pursuant to the Act or other law. The Authority will implement, protect and defend this 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 hereto, 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, and all Revenues, including the Building Aid, shall be applied in accordance with the Indenture. The lien of such pledge and the obligation to perform the 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 of the Indenture. When (a) there is held by or for the account of the Trustee Defeasance Collateral in such principal amounts, bearing interest at such rates and with such maturities as will provide sufficient funds to pay or redeem all obligations to Beneficiaries in full, (b) if any Bonds or Notes are to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bonds or Notes and notice of such redemption shall have been duly given or irrevocable instructions to give notice shall have been given to the Trustee, and (c) all the rights of the Authority and the Trustee have been provided for, then upon written notice from the Authority to the Trustee, the Beneficiaries shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment of the funds so held and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien, the security interests created by the Indenture (except in such funds and investments) shall terminate, and the Authority and the Trustee shall execute and deliver such instruments as may be necessary to discharge the Trustee's lien and security interests.

Legal Defeasance of Particular Bonds. If (a) any Bonds or Notes are identified as legally defeased in a Series Resolution pursuant to the Indenture, (b) there is held by or for the account of the Trustee Defeasance Collateral in such principal amounts, bearing fixed interest at such rates and with such maturities as will provide sufficient funds to pay or redeem all obligations to the Holders of such Bonds in full (to be verified by a nationally recognized firm of independent certified public accountants), (c) the Authority has taken all action necessary to redeem any such Bonds or Notes to be redeemed prior to maturity and notice of such redemption has been duly given or irrevocable instructions to give notice have been given to the Trustee, and (d) unless otherwise specified by Series Resolution at issuance of the Bonds or Notes to be defeased, the Authority has delivered to the Trustee an

opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts (if any), in the same manner and at the same times as would have been the case if such legal defeasance had not occurred, then the Authority's obligations under the Indenture with respect to such Bonds or Notes shall terminate, the debt represented thereby shall be legally satisfied, and the Holders shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment of the funds so held and other rights which by their nature cannot be satisfied until such Bonds or Notes are actually paid. Upon such defeasance, the funds and investments required to pay or redeem the Bonds or Notes shall be irrevocably set aside for that purpose, and money held for defeasance shall be invested only as described above and applied to the retirement of the Bonds or Notes.

Notes and Bonds of the Authority. By Series Resolution complying procedurally and in substance with the Act and the Indenture, the Authority may authorize, issue, sell and deliver (i) Bonds or (ii) Notes in anticipation thereof, from time to time in such principal amounts as the Authority shall determine to be necessary, to provide sufficient funds to meet a Capital Financing Need, including paying and reimbursing Project Capital Costs, 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.

Bonds and Notes may be issued only:

- (i) as Senior Bonds (or Notes in anticipation thereof) to pay or reimburse Project Capital Costs or refund or renew such Bonds or Notes, but not to exceed \$12 billion in Outstanding principal amount, and subject to a \$330 million limit on Quarterly Debt Service to be payable, or
- (ii) as Subordinate Bonds (or Notes in anticipation thereof), with Rating Confirmation; but
- (iii) no Series of Senior Bonds shall be authenticated and delivered without Rating Confirmation except upon receipt by the Trustee of the following:
 - (w) a certificate by the Director of Management and Budget setting forth the most recent collections for the 12 consecutive calendar months ended not more than two months prior to the date of such certificate, of the Statutory Revenues, in effect at the date of issuance of such Series of Bonds, collected by the State and to be payable to the Authority; and
 - (x) 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, for each Fiscal Year such Bonds will be Outstanding,
 - (II) the aggregate amount of operating expenses as estimated by an Authorized Officer of the Authority for the current Fiscal Year, and
 - (III) that the amounts set forth pursuant to clause (w) after deducting the operating expenses set forth pursuant to clause (x)(II), will be at least three times such aggregate amount set forth in clause (x)(I) for each Fiscal Year set forth pursuant to clause (x)(I).

Each interest rate on Outstanding and proposed variable-rate Bonds or Notes (if not economically fixed), shall be assumed at the maximum rate payable to investors other than parties to an ancillary contract.

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 (among other things) the following:

(a) an Officer's Certificate 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 City 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 Series Resolution is in full force and effect and that the Bonds or Notes are valid and binding; and after delivery of the first 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 to facilitate the issuance, sale, resale, purchase, repurchase or payment of Bonds or Notes. The Authority may by Series Resolution provide for the payment through the Bond Account of amounts due on ancillary and swap contracts.

Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may, by Series Resolution, 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, from the Recovery Account, from the School Bond Account or from the proceeds of renewal notes or the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such renewal notes or 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. The Authority may also pledge the Revenues and, subject to the Indenture, the Accounts to the payment of the principal of such Notes.

Recovery Obligations and Other Parity Debt. The Authority may from time to time request the authentication and delivery of a Series of Recovery Obligations or other Parity Debt by providing to the Trustee (among other things) the following at the delivery of Bonds or of Notes in anticipation thereof (but not both):

(i) a certificate by the Director of Management and Budget setting forth the collections for the most recent Fiscal Year ended at least two months prior to the date of such certificate, of the Statutory Revenues collected by the State and to be payable to the Authority; and

(ii) an Officer's Certificate of the Authority setting forth (x) the sum of \$1.32 billion and the aggregate amount of Subordinate Debt Service, including such Series of Bonds (assumed, at the delivery of Notes, to be issued at the Note maturity and to amortize over 30 years at an interest rate of 7%, with level debt service), for each Fiscal Year such Bonds will be Outstanding and (y) that the amounts set forth pursuant to clause (i) will be at least 3 times the sum set forth in clause (ii)(x) for each Fiscal Year set forth pursuant to clause (ii)(x).

School Bonds and School Notes. The Authority may from time to time request the authentication and delivery of a Series of School Bonds or School Notes by providing to the Trustee (among other things) the following at the delivery of such Bonds or of Notes in anticipation thereof (but not both) an Officer's Certificate setting forth:

(i) Annual School Bond Debt Service, including debt service on such Series of Bonds (assumed, at the delivery of Notes, to be issued at or prior to the Note maturity and to amortize and bear interest as specified in such Officer's Certificate) in each Series Fiscal Year, and

(ii) the Confirmed Building Aid payable in the Fiscal Year preceding each Series Fiscal Year, which shall be at least equal to the amount set forth in clause (i) for each Series Fiscal Year.

Each interest rate on Outstanding and proposed variable-rate Bonds or Notes (if not offset or economically fixed by a Qualified Swap, a liquidity account, or otherwise with School Bond Rating Confirmation), shall be assumed at the maximum rate payable to investors other than parties to an ancillary contract.

Project Capital Costs. Proceeds of the sale of the Bonds and Notes issued for capital purposes shall be promptly deposited in the Project Fund established under the Agreement to the extent set forth by Series Resolution, and applied to finance Project Capital Costs. The Authority shall transfer its earnings on the Project Fund to the Collection Account as Building Aid or Tax Revenues, or otherwise apply such earnings in accordance with the Tax Code pursuant to Officer's Certificate.

Federal Proceeds Subaccount. A Build America Subaccount has been established in the Project Fund, and redesignated the Federal Proceeds Subaccount. Proceeds of BABs, QSCBs and other federally subsidized Bonds shall be deposited in such subaccount and all money therein, including earnings, shall be applied in compliance with the Tax Code, the Indenture and the advice of Counsel. To the extent necessary for such compliance, the Authorized Officers of the Authority may subdivide such subaccount in respect of separate categories or issues of federally subsidized Bonds.

Limited Purpose of Indenture. The Indenture provides for the issuance and payment of the Authority's obligations and the financing and refinancing of Project Capital Costs. Except as set forth in the Agreement, the Authority, the City 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 Project.

Application of Revenues. Provision is made in the Act for the payment to the Authority of the 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. Two subaccounts are established in the Collection Account: the Tax Revenue Subaccount and the Building Aid Subaccount. Building Aid transferred to the Bond Account or the Recovery Account may be treated as an interfund advance and transferred to the School Bond Account or restored to the Building Aid Subaccount through an Officer's Certificate directing the transfer of Tax Revenues at the *fourth* level of priority. The transfers and payments of Revenues shall be appropriately adjusted by Officer's Certificate to reflect the date of issue of Notes or Bonds, any accrued or capitalized interest deposited in the Bond Account, 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.

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 Series Resolution) or Senior Bonds shall be deposited in the Bond Account. Two subaccounts are established in the Bond Account: the Pre-07 S-1 Senior Subaccount and the Post-07 S-1 Senior Subaccount. 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 either subaccount exceeds the Full Requirement, the Trustee shall transfer such excess to the Collection Account as Tax Revenues. The Trustee shall pay, or transfer money from the applicable subaccount of 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 Series Resolution. 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 the redemption price and accrued interest.

The Authority shall not by purchase or optional redemption cause Quarterly Debt Service to exceed \$330 million unless either cash is on hand therefor, held by the Authority or in the Redemption Account, or this limit has been modified by Officer’s Certificate of the Authority with Rating Confirmation.

Unless otherwise specified by Series Resolution, 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. Defeased Bonds shall, at the option of the Authority, no longer be entitled, but may be subject, to the provisions thereof for mandatory redemption.

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 Indenture and any appropriate provisions of the LFL, 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 to transmit notice to a particular Holder, or any defect in the notice to such Holder, shall not affect the redemption of any other Bond or Note.

No Bonds or Notes may be optionally redeemed from the Building Aid unless the Unfunded Balance is zero.

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.

Cash deposits in the Accounts shall be secured as and to the extent described in the General Municipal Law of the State, as amended from time to time.

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. Interest realized on investments in the Building Aid Subaccount or the School Bond Account and any profits realized upon the sale or other disposition thereof shall be credited to the Building Aid Subaccount.

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).

Recovery and Parity Debt Account. A Recovery and Parity Debt Account is established with the Trustee and money shall be deposited therein as provided in the Indenture or by Officer's Certificate. The Pre-07 S-1 Parity Subaccount and the Post-07 S-1 Parity Subaccount are established as subaccounts in the Recovery Account. The money in the Recovery and Parity Debt Account shall be held in trust and, except as otherwise provided, shall be applied solely to the payments of Recovery Obligations and Parity Debt payable therefrom. If at any time the amount held in either subaccount exceeds the Full Requirement, the Trustee shall transfer such excess to the Collection Account as Tax Revenues. The Trustee shall pay, or transfer money from the applicable subaccount of the Recovery and Parity Debt Account to a Paying Agent in time for such Paying Agent to pay, Recovery Obligations and Parity Debt when due in same-day funds.

School Bond Account. A School Bond Account is established with the Trustee and money shall be deposited therein as provided in the Indenture or by Officer's Certificate. The money in the School Bond Account shall be held in trust and, except as otherwise provided, shall be applied solely to the payment of School Obligations. If at any time the Unfunded Balance is zero, the Trustee shall transfer any amount in the School Bond Account to the Collection Account as Building Aid. The Trustee shall pay, or transfer money from the School Bond Account to a Paying Agent in time for such Paying Agent to pay, School Obligations when due in same-day funds.

Application of Tax Revenues. (a) Provision is made in the Act for the payment to the Authority of the Tax Revenues, and the Authority has requested the State Comptroller to make such payments to the Collection Account. Any Tax Revenues received by the Authority or the Trustee shall be promptly deposited in the Tax Revenue Subaccount and 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 the Indenture; *second* 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 Officer's Certificate; *third* pursuant to Supplemental Indentures for the benefit of Noteholders, Subordinate Bondholders and parties to ancillary and swap contracts, to the extent such Supplemental Indentures may require application of Tax Revenues to pay items after payment of Debt Service and operating expenses; *fourth* pursuant to each Officer's Certificate making reference to this level of priority in accordance with the Indenture; and *fifth* daily or as soon as practicable but not later than the last day of each month, to the order of the City, free and clear of the lien of the Indenture.

(b) At the beginning of each Collection Quarter, the Trustee shall begin to transfer all Tax Revenues from the Tax Revenue Subaccount to each subaccount of the Bond Account in proportion to the unfunded balance of each First-Month Requirement, and shall continue such transfers until the amount in each subaccount is equal to the First-Month Requirement. On the first day of the second month of each Collection Quarter, the Trustee shall resume or continue such transfers, in proportion to the unfunded balance of each Full Requirement, until the Full Requirement is held in each subaccount. To the extent that Quarterly 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 in writing to transfer Revenues thereto, rather than to the Bond Account.

(c) Pursuant to the *third* level of priority: at the beginning of each Collection Quarter, the Trustee shall begin to transfer all Tax Revenues to each subaccount of the Recovery Account in proportion to the unfunded balance of each First-Month Requirement, and shall continue such transfers until the amount in each subaccount is equal to the First-Month Requirement; and on the first Business Day of the second month of each Collection Quarter, the Trustee shall resume or continue such transfers, in proportion to the unfunded balance of each Full Requirement, until the Full Requirement is held in each subaccount. To the extent that Quarterly Subordinate Debt Service includes principal, interest or premium on Bonds or Notes to be purchased or redeemed prior to maturity, or Revenues are available to pay principal of Notes, such amounts may be paid through the Redemption Account or an escrow fund, and the Authority may by Officer's Certificate direct the Trustee to transfer Revenues thereto.

The Authority may by Officer's Certificate estimate interest payable at a variable rate; or treat anticipated receipts from a Qualified Swap as offsets thereto.

A Sinking Fund Subaccount is established in each of the Post-'07 S-1 Senior Subaccount and the Post-'07 S-1 Parity Subaccount for the redemption, at or prior to maturity, of Sinking Fund Bonds. Tax Revenues shall be deposited in each Sinking Fund pursuant to the Sinking Fund Requirements specified by Series Resolution, which deposits may be adjusted to recognize early retirement of Bonds and earnings and profits on Eligible Investments in each Sinking Fund (if required by the Authority's tax covenants or directed by Officer's Certificate to be retained therein) and shall be provided for as Quarterly Senior Debt Service or Quarterly Subordinate Debt Service. Unless otherwise specified by Officer's Certificate, interest on the Sinking Fund Bonds shall be payable from the Post-'07 S-1 Senior Subaccount or the Post-'07 S-1 Parity Subaccount (exclusive of each Sinking Fund).

Application of Building Aid. (a) Provision is made by the Act and the Assignment for the payment to the Authority of the Building Aid, and the Authority has requested the State Comptroller to make such payments to the Collection Account. Any Building Aid received by the Authority or the Trustee shall be promptly deposited in the Building Aid Subaccount and shall be applied by the Trustee pursuant to the Indenture, in the following order of priority, as implemented in part by provisions described below: *first* to Pre-07 S-1 Senior Bonds; *second* to the Authority's operating expenses, which may include reserves to be held by the Authority for payment of operating expenses, in such amounts as may be determined by Officer's Certificate, but excluding operating expenses properly allocable to Post-07 S-1 Senior Debt and Post-07 S-1 Parity Debt; *third* to Pre-07 S-1 Parity Debt and then to School Obligations; and *fourth* daily or as soon as practicable but not later than the last day of each month, to the order of the City, free and clear of the lien of the Indenture.

(b) To provide for the timely payment of School Obligations subject to the rights of the Holders of Pre-07 S-1 Senior Bonds and Pre-07 S-1 Parity Debt, money in the Building Aid Subaccount shall be retained therein until transferred as follows:

(1) at any time, to the Pre-07 S-1 Senior Subaccount or the Pre-07 S-1 Parity Subaccount, in that order of priority, to pay Pre-07 S-1 Senior Bonds or Pre-07 S-1 Parity Debt then due and not otherwise provided for;

(2) in the first month of each Collection Quarter, (A) to the School Bond Account beginning the first day when (i) the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and (ii) the Remaining Building Aid is not more than 110% of the Unfunded Balance, and continuing until the earlier of (x) the end of the month and (y) the day when the Unfunded Balance is zero; and (B) to the order of the City, if no transfer to the School Bond Account is required, beginning the first day when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and continuing until the end of the month; and

(3) in the second and third months of each Collection Quarter, (A) to the School Bond Account beginning the first day when (i) the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their Full Requirements and (ii) the Remaining Building Aid is not more than 110% of the Unfunded Balance, and continuing until the earlier of (x) the end of the Collection Quarter and (y) the day when the Unfunded Balance is zero; (B) to the order of the City, if no transfer to the School Bond Account is required, beginning when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount are funded to their Full Requirements and continuing until the end of the Collection Quarter; and (C) on the last Business Day of the Collection Quarter, to the Pre-07 S-1 Senior Subaccount and then the Pre-07 S-1 Parity Subaccount until both of them have been funded to their Full Requirements; then to the School Bond Account, if the Remaining Building Aid is not more than 110% of the Unfunded Balance, until the Unfunded Balance is zero; and then to the order of the City.

A Sinking Fund Subaccount is established in the School Bond Account for the redemption, at or prior to maturity, of Sinking Fund Bonds. Building Aid shall be deposited in such Sinking Fund pursuant to the Indenture, which deposits may be adjusted to recognize early retirement of Bonds and earnings and profits on Eligible Investments in the Sinking Fund (if required by the Authority's tax covenants or directed by Officer's Certificate to be retained therein) and shall be provided for as Annual School Bond Debt Service. Unless otherwise specified by Officer's Certificate, interest on the Sinking Fund Bonds shall be payable from the School Bond Account (exclusive of the Sinking Fund).

Application of Federal Subsidy. (a) A Federal Subaccount and a BAB Subaccount have been established in the Collection Account, and redesignated the Federal Collection Subaccount and the Federal Bond Subaccount, respectively. The Federal Subsidy shall be deposited in the Federal Collection Subaccount and retained therein until transferred as follows:

(1) at any time, to the Pre-'07 S-1 Senior Subaccount or the Pre-'07 S-1 Parity Subaccount, in that order of priority, to pay Pre-'07 S-1 Senior Bonds or Pre-'07 S-1 Parity Debt then due and not otherwise provided for;

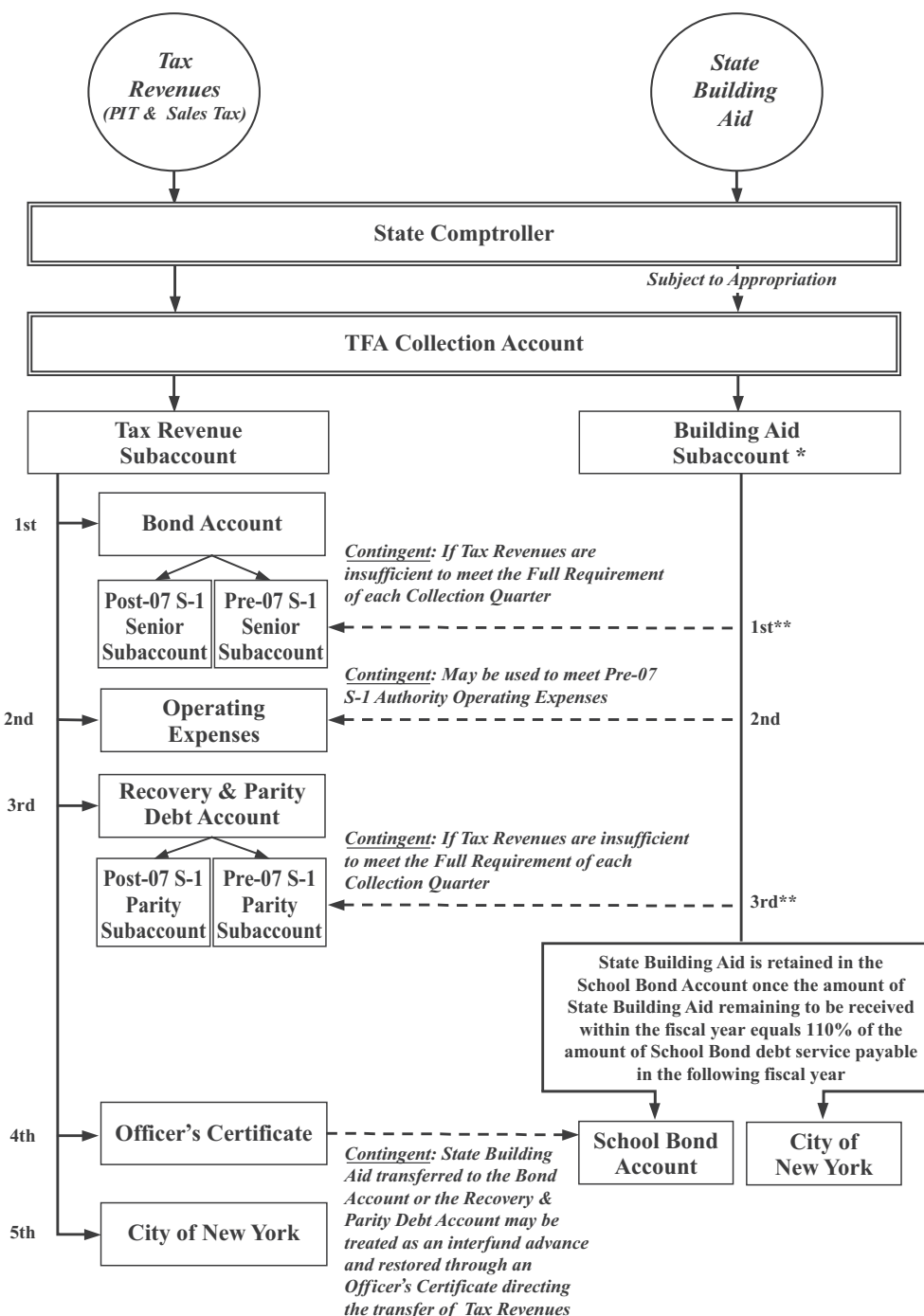
(2) in the first month of each Collection Quarter, beginning the first day when both the Pre-'07 Senior Subaccount and the Pre-'07 S-1 Parity Subaccount have been funded to their First-Month Requirements and continuing until the end of the month, to the Federal Bond Subaccount or, if so directed by Officer's Certificate, to the order of the City; and

(3) in the second and third months of each Collection Quarter, (A) to the Federal Bond Subaccount, beginning when both the Pre-'07 S-1 Senior Subaccount and the Pre-'07 S-1 Parity Subaccount have been funded to their Full Requirements and continuing until the end of the Collection Quarter, and (B) on the last Business Day of the Collection Quarter, to the Pre-'07 S-1 Senior Subaccount and then the Pre-'07 S-1 Parity Subaccount until both of them have been funded to their Full Requirements; and then to the Federal Bond Subaccount or, if so directed by Officer's Certificate, to the order of the City.

Money in the Federal Bond Subaccount shall be applied to principal of and interest on Bonds (not including Tax-Exempt Bonds unless such application is permitted by the Authority's tax covenants) or, if so directed by Officer's Certificate, paid to the order of the City.

Purchase of HYIC Obligations. The Authority may apply Tax Revenues available at the *fourth* level of priority to the purchase of obligations of HYIC (not exceeding the amounts specified by Supplemental Indentures approved by unanimous vote of the Directors of the Authority), which HYIC obligations shall be held by the Authority.

SUMMARY OF COLLECTION AND APPLICATION OF TAX REVENUES AND STATE BUILDING AID



* State Building Aid is initially available to pay debt service coming due and payable but not already provided for with respect to Senior Bonds and Parity Debt, issued prior to the Fiscal 2007 Series S-1 Building Aid Revenue Bonds.

** Within the respective retention period, once each of the First-Month and Full Requirement is satisfied, State Building Aid flows to either the School Bond Account or the City of New York.

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 City 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 City and the State shall be for the equal benefit, protection and security of the Beneficiaries of the same priority. All of the Outstanding 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 Outstanding 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 City or the State in the Indenture or in or pursuant to the Act for the benefit of any of the Beneficiaries, including the Assignment and the related provisions of the School Financing Act.

The Authority shall (1) protect and defend, as an operating expense, its and the Trustee's claim to every material portion of the Building Aid, and the Fiduciaries shall cooperate therein at the Authority's expense;

(2) with the Fiduciaries, as aforesaid, and the City pursuant to the Assignment (a) contest any Competing Claim to any material portion of the Building Aid that (i) it deems factually or legally unfounded, or (ii) is based on constitutional, statutory or regulatory ambiguity, on any provision of the Education Law, or on any action or failure to act of the City; and (b) cooperate with the Holders in filing and prosecuting any claim made by Holders under § 99-b of the State Finance Law and in opposing any Competing Claim;

(3) provide the calculations contemplated by the MOU; and

(4) not agree to any modification of the MOU that is materially adverse to the Holders of the School Bonds.

Without limitation, a modification that receives School Bond Rating Confirmation is not materially adverse to such Holders.

Sales Taxes. For each fiscal year of the City for which the Mayor has given a notice to the State Comptroller pursuant to the State Covenant, the Authority shall request the State Comptroller to schedule payments of Sales Taxes to the Authority, based on the Authority's projections of Personal Income Taxes and debt service, so that the Authority will receive Tax Revenues in each Collection Quarter sufficient to pay its obligations but in all events at least equal to the Quarterly Payment Requirement. Such requests shall be modified, as often as necessary, to reflect experience and revised projections.

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 § 103(a) of the Tax 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 Project

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. (a) 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 City, 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;

(2) annually, within 185 days after the close of each fiscal year, deliver to the Trustee and each Rating Agency, a copy of its audited financial statements for such fiscal year;

(3) keep in effect at all times an accurate and current schedule of all Quarterly Debt Service to be payable during the life of then Outstanding Bonds, Notes and Senior Agreements secured by the Bond Account; of Remaining Building Aid, and of amounts payable from the Recovery Account and the School Bond Account; certifying for the purpose such estimates as may be necessary; and

(4) deliver to each Rating Agency a quarterly statement of cash flows, including Revenues received, transfers to the Accounts, Bonds and Notes issued, and payments of principal and interest, and an annual statement of the State's costs in administering, collecting and distributing the Tax Revenues.

(b) To implement the State Covenant, the Chairperson of the Authority shall, not less than 30 days prior to the beginning of each fiscal year, certify to the State Comptroller, the Governor, and the Directors of the Authority a schedule of maximum annual debt service payments due on the Bonds and Notes respectively then Outstanding.

(c) The Authority shall deliver to the Trustee and each Rating Agency, not less often than quarterly, an Officer's Certificate showing (i) Revenues on a pro-forma basis for the current fiscal year and each of the two preceding fiscal years, as received, expected and adjusted as if current statutes had been in effect for the three-year period; (ii) Debt Service to be paid in the next three fiscal years; and (iii) whether such Revenues are at least 150% of such Debt Service.

Ratings. Unless otherwise specified by Series Resolution, 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 and the School 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 City. The Indenture does not constitute indebtedness of the City for purposes of § 20.00 of the LFL or any constitutional or statutory limitation. The Authority's revenues are not funds of the City.

State Covenants and Tax Contract. The Authority includes in the Indenture: (a) the State's pledge and agreement with the Holders of Outstanding Bonds and Notes that the State will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with the Holders, or in any way impair the rights and remedies of such Holders or the security for the 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; (b) the further terms of § 2799-ii of the Act to the effect that: Nothing contained in this covenant shall be deemed to restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Taxes, but such taxes payable to the Authority shall in all events continue to be so payable so long as any such taxes are imposed. Not less than 30 days prior to the beginning of each fiscal year, the Chairperson of the Authority shall certify to the State Comptroller, the Governor, and the members of the Board of Directors of the Authority a schedule of maximum annual debt service payments due on the Bonds and Notes then Outstanding. To the extent that Personal Income Taxes payable to the Authority during such fiscal year are projected by the Mayor to be insufficient to meet at least 150% of maximum annual debt service on the Bonds then Outstanding, the Mayor shall so notify the State Comptroller and the State Comptroller shall pay

to the Authority from Sales Taxes such amount as is necessary to provide at least 150% of such maximum annual debt service on the Bonds. 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; (c) subdivision 4 of § 2799-tt of the Act (added by the School Financing Act) to the effect that: The State Covenant shall be fully applicable to School Bonds and School Notes and may be included in any agreement with the Holders thereof. Nothing contained in this covenant shall be deemed to restrict the right of the State to amend, modify, repeal or otherwise alter statutes relating to the Building Aid, but such Building Aid shall in all events (i) continue to be so payable, as assigned, so long as any such Building Aid is paid and (ii) continue to be calculated in accordance with the same formula used for such calculation, and otherwise on the same basis as such aid is calculated, on the date that the applicable project is approved for reimbursement; (d) the last paragraph of § 99-b of the State Finance Law (as amended by the School Financing Act) to the effect that: The State hereby covenants with the Holders of the School Bonds and School Notes that it will not repeal, revoke or rescind the provisions of this section or amend or modify the same so as to limit, impair or impede the rights and remedies granted hereby; provided, however, that nothing in this section shall be deemed or construed as requiring the State to continue the payment of aid or assistance to any city, city school district or school district or as limiting or prohibiting the State from repealing or amending any law heretofore or hereafter enacted relating to aid or assistance, the manner and time of payment or apportionment thereof, or the amount thereof; and (e) the tax contract of the State in the Act.

Authority Acknowledgments. (a) The Authority acknowledges that the City'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 Outstanding 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 City, the State or any other person of, any such claim to the contrary.

(b) By acknowledging that the City'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 Outstanding 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 City or the State to comply therewith, the Holders of the Outstanding 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 City, 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 forth in paragraphs (a) and (b) above have been included as a result of negotiations with the underwriters of specified Bonds and may further acknowledge in any Series Resolution if and the *extent* to which any provision of the Resolution has been amended, or any provision of such Series Resolution 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 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 specified events, if actually known to an Authorized Officer of the Trustee. 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 Series Resolution 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. Each Paying Agent shall act as paying agent with respect to any allotments, apportionments or payments forwarded to it by the State pursuant to § 99-b of the State Finance Law.

Resignation or Removal of the Trustee. The Trustee may resign on not less than 30 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.

No Statutory Trustee. Pursuant to the Act, the rights of the Holders of Bonds and Notes to appoint a statutory trustee are abrogated.

Fiduciaries for Notes and Subordinate Bonds. The Authority may by Series Resolution 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.

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 make any other required payment to the Trustee or other Fiduciary and such failure is not remedied within 7 days after written notice thereof is given by the Trustee or other Fiduciary to the Authority. (c) 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. (d) Specified events of insolvency. (e) 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 issuance of the first Series of Bonds or (ii) enact a moratorium or other similar law affecting the Bonds or Notes or (iii) amend, modify, repeal or otherwise alter, in any material respect, (y) the requirement of § 1313 of the Tax Law that: "The comptroller, after reserving such refund fund and such costs shall, commencing on or before the fifteenth day of each month, pay to the New York City transitional finance authority on a daily basis the balance of Personal Income Taxes or (z) the requirement of § 2799-ii of the Act that: "To the extent that the tax revenues payable to the authority under section thirteen hundred thirteen of the tax law during such fiscal year are projected by the mayor to be insufficient to meet at least one hundred fifty percent of maximum annual debt service on authority bonds then outstanding, the mayor shall so notify the state comptroller and the state comptroller shall pay to the authority from" Alternative Revenues such amount as is necessary to provide at least 150% of the maximum annual debt service. (f) The State Comptroller shall fail or refuse to comply with any provision of law in effect for the benefit of the Authority. (g) The City shall fail to observe or perform any of its agreements, covenants or obligations under the Agreement 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 City and the Authority or by the Authority to the Trustee and the City. (h) Any Officer's Certificate delivered pursuant to paragraph (c) described in "Accounts and Reports" above shall show estimated Revenues to be less than 150% of Debt Service.

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 Outstanding shall, in its own name by action or proceeding in accordance with the Civil Practice Law and Rules: (a) enforce all rights of the Holders and require the Authority or, to the extent permitted by law, the State or the City 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. (3) If such Event of Default is described in clause (a), (d), (e)(iii) or (h) under "Events of Default" above, the Trustee shall (a) give written notice thereof to the Authority, the Holders, specified public officials and public bodies, 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.

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

School Bond Remedies. To the extent not inconsistent with the Act or the Indenture as in effect prior to the issuance of the first Series of School Bonds: if (i) there occurs and is continuing any Event of Default, or (ii) the State shall amend, alter, repeal or fail to comply with its covenant respecting the Building Aid, or (iii) the City shall fail to observe or perform any of its agreements, covenants or obligations under the Assignment 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 City and the Authority or by the Authority to the Trustee and the City, then:

(a) The Trustee may, and upon written request of the Holders of 25% in principal amount of the School Bonds Outstanding shall, in its own name by action or proceeding in accordance with the Civil Practice Law and Rules;

(1) enforce all rights of the Holders and require the Authority or, to the extent permitted by law, the State or the City to carry out its agreements with the Holders and to perform its duties under the Act;

(2) sue upon such Bonds and Notes;

(3) require the Authority to account as if it were the trustee of an express trust for the Holders of such Bonds and Notes; and

(4) enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds and Notes.

(b) The Trustee shall 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 of School Bonds and School Notes in the enforcement and protection of their rights.

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 Beneficiaries 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 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.

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 the payment of fees and expenses necessary to collect Revenues and distribute Debt Service and to provisions theretofore made for the payment of Bonds or Notes no longer Outstanding and to the priorities established by the Indenture) 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, 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; and *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, if the amount available shall not be sufficient to pay in full all principal due on any 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 Bond over any other; and *fourth* to the payment of 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, in accordance with the priorities established by the Indenture but otherwise 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 of the Indenture, 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.

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 and executed or approved by the Mayor and Comptroller to the extent, if any, required by the Act, 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 with the approval of the Mayor and Comptroller to the extent, if any, required by the Act, (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 Recovery Bonds and Bonds issued as Parity Debt, the School Bonds, the Senior Bonds and the Notes of each category (each acting as a separate class) 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. If their interests differ materially, the Holders of the Pre-07 S-1 Senior Bonds and Pre-07 S-1 Parity Debt shall vote as separate classes from the Holders of Post-07 S-1 Senior Debt and Post-07 S-1 Parity Debt.

(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.

In addition, provisions of the Indenture relating to the application of the Federal Subsidy may be amended in any respect that is not prejudicial to the Bondholders.

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

Covenant. The City and the Authority covenant with the Holders of the Outstanding Bonds offered hereby to comply with the financial reporting requirements of the Financial Emergency Act For The City of New York and the Act, respectively, each as in effect from time to time.

THE AGREEMENT

The Agreement, including the Transitional Capital Plan attached thereto:

(i) describes by reference to the capital budget of the City and the Act the particular Projects and Costs to be financed in whole or in part by the Authority;

(ii) describes the plan for the financing of the Costs or Projects;

(iii) sets forth the method for which and by whom and the terms and conditions upon which money provided by the Authority shall be distributed to the City, which disbursements shall occur, subject to receipt by the Authority of such documentation as to the costs being reimbursed as the Authority shall reasonably require, at least monthly;

(iv) provides for the payment of such Costs by the City under such contracts as shall be awarded by the City or for the City to make a capital contribution of such proceeds as City funds to another entity for the payment or reimbursement of such Costs;

(v) requires every contract entered into by the City, or another entity receiving funds from the City, for Projects or Costs to be financed in whole or in part by the Authority to be subject to the provisions of the City Charter and other applicable laws governing contracts of the City or such entity, as the case may be; and

(vi) authorizes the Authority's assignment and pledge to the Trustee in trust for the benefit and security of the Bondholders and, to the extent specified in the Indenture, of Noteholders and the parties to ancillary and swap contracts of rights of the Authority under the Agreement.

City's Further Assurances. Pursuant to the Act, the City 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 City's right, title and interest in and to the Personal Income Taxes and the Sales Taxes, and all rights to receive the same and the proceeds thereof; and the City will protect and defend the Trustee's title thereto.

Separate Accounts and Records. The Authority and the City represent and covenant, each for itself, that: (a) Each of them will maintain its books, financial records and accounts (including, without limitation, interentity 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 City 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. (b) Neither the Authority nor the City 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.

Project Fund. A Project Fund is established to be held by the Authority. Money shall be deposited therein as provided in the Indenture. The money and investments in the Project Fund shall be held in trust and, except as otherwise provided in the Agreement, shall be applied by the Authority as described below.

The Authority shall pay from the Project Fund the Costs of Issuance, including any expenses of the City in connection with the issuance of the Bonds and Notes that are approved by the Authority, and disburse funds to the City to finance, by payment or reimbursement, Project Capital Costs. When all Costs of Issuance and Project Capital Costs have been paid or reimbursed, as evidenced by Officer's Certificates of the Authority and the City, any excess in the Project Fund shall promptly be paid to the Trustee for deposit in the Collection Account.

The Authority and the City shall develop, and may from time to time modify, procedures for the disbursement, at least monthly, of money to the City from the Project Fund, upon terms, conditions and

documentation providing for compliance with the Act, appropriate provisions of the LFL, the Transitional Capital Plan, the Agreement, the Indenture, and the advice of Counsel as to the application of proceeds of Tax-Exempt Notes and Tax-Exempt Bonds. The City shall pay Costs out of Note and Bond proceeds under such contracts as shall be awarded by the City or make a capital contribution of such proceeds as City funds to another entity for the payment or reimbursement of such Costs.

Money in the Project Fund shall be invested and reinvested in accordance with the Act. Earnings thereon shall be transferred to the Collection Account as Building Aid or Tax Revenues, or otherwise applied in accordance with the Tax Code pursuant to an Officer's Certificate.

Indemnity. The City shall indemnify the Authority and hold it harmless against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and disbursements) that the Authority incurs arising out of or in relation to any Project.

Limited Purpose of Agreement. The Agreement provides for the issuance and payment of the Authority's obligations and the financing and refinancing of Project Capital Costs. Except as specified in the Agreement, the Authority, the City, 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 Project. The specific Project Capital Costs to be paid or reimbursed by the Authority shall be determined by the City in accordance with the Act.

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

(A) The City 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 § 103(a) of the Code; and no funds of the City 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 City 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 City will take no action that is inconsistent with the Agreement and that would give any creditor of the City cause to believe either that any such obligations incurred by the City would be not only the obligation of the City, but also of the Authority, or that the City were not or would not continue to remain an entity separate and distinct from the Authority.

(C) To implement the State Covenant, an Authorized Officer of the City shall, not less than 30 days prior to the beginning of each fiscal year, and as often as he deems necessary but at least quarterly thereafter, certify to the Authority and the Trustee the Mayor's projection of Personal Income Taxes payable to the Authority each month during such fiscal year; and if the projected Personal Income Taxes are insufficient to meet at least 150% of maximum annual debt service on the Bonds, as certified by the Chairperson of the Authority pursuant to the Indenture, then (1) the Mayor shall so notify the State Comptroller, and (2) an Authorized Officer of the City shall, not less than 30 days prior to the beginning of each fiscal year in which such projected Personal Income Taxes are insufficient to meet at least 150% of such maximum annual debt service, and as often as he deems necessary but at least quarterly thereafter, certify to the Authority and the Trustee (in addition to other required matters) the City's projection of Sales Taxes available to be paid to the Authority each month during such fiscal year.

Statutory Pledge and Agreement ("City Covenant"). The City pledges and agrees with the Holders of the Outstanding Bonds and Notes that the City 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 pledge and agreement shall not be deemed to restrict any right the City may have to amend, modify or otherwise alter local laws imposing or relating to the Personal Income Taxes so long as, after giving effect to such amendment, modification or other alteration, the amount of Tax Revenues projected by

the Mayor 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 150% of maximum annual debt service on the Bonds.

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

Transfers to City. 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 required for such purposes shall be transferred to the order of the City daily or as soon as practicable but not later than the last day of each month.

City Acknowledgments. (a) The City acknowledges that its covenants and pledge and agreement for the benefit of the Holders 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 City also acknowledges, to the fullest extent permitted by applicable federal and State law, that, in the event of any failure or refusal by the City 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 City 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 City 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 first series of Bonds and the first Series of School Bonds and may further acknowledge if and the extent to which any provision of the Agreement has been amended, or any provision of a Series Resolution has been included therein, as a result of the same or similar negotiations.

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 City to the extent required by the Agreement and the Act, to (a) update the Transitional Capital Plan or (b) add to the covenants and agreements of the City 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 City 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 or (b) 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 further provisions of the Agreement.

(B) Except as described in the foregoing paragraph (A), the Agreement may be amended only by the City and the Authority with the written consent of a Majority in Interest of the Senior Bonds, the Recovery Bonds and Bonds issued as Parity Debt, the School Bonds and the Notes of each category (each acting as a separate class) to be 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. If their interests differ materially, the Holders of the Pre-07 S-1 Senior Bonds and Pre-07 S-1 Parity Debt shall vote as separate classes from the Holders of Post-07 S-1 Senior Debt and Post-07 S-1 Parity Debt.

(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 City, the Authority, the Fiduciaries, the Holders of Notes and Senior Bonds, and the other Beneficiaries to the extent specified in the Agreement and the Indenture.

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**NEW YORK CITY TRANSITIONAL
FINANCE AUTHORITY**

June 30, 2011 and 2010

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
New York City Transitional Finance Authority

We have audited the accompanying financial statements of the governmental activities of the New York City Transitional Finance Authority (the "Authority"), a component unit of The City of New York, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Authority as of June 30, 2011 and 2010 and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the Authority has adopted the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011.

The accompanying management's discussion and analysis on pages 2 – 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



New York, New York
September 28, 2011

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**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the New York City Transitional Finance Authority (the "Authority") as of June 30, 2011 and 2010 and for the years then ended. It should be read in conjunction with the Authority's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The annual financial statements consist of three parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; and (3) the governmental funds financial statements.

The government-wide financial statements of the Authority, which include the statements of net assets (deficits) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of the Authority's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental funds financial statements (general, capital and debt service funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and liabilities on arbitrage rebate payable, which is recognized when due.

The reconciliations of the governmental funds balance sheets to the statements of net assets (deficit) and reconciliations of the governmental funds statements of revenues, expenditures and changes in fund balances to the statements of activities are presented to assist the reader in understanding the differences between government-wide and governmental funds financial statements.

Future Tax Secured Bonds

The Authority's authorizing legislation limited the amount of Authority bonds and notes issued for The City of New York's (the "City's") general capital purposes ("Future Tax Secured Bonds" or "FTS Bonds") to \$13.5 billion, (excluding Recovery Bonds, discussed below) as of June 30, 2009. On July 11, 2009 authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permits the Authority to have outstanding \$13.5 billion of FTS Bonds, (excluding Recovery Bonds). In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by The City, does not exceed the debt limit of The City. As of July 1, 2011, The City's and the Authority's combined debt-incurring capacity was approximately \$24.06 billion. In fiscal years 2011 and 2010, the Authority issued \$4.25 billion and \$5.35 billion, respectively of FTS Bonds. The Authority had Future Tax Secured Senior Bonds outstanding of \$5.22 billion and \$6.59 billion and Subordinate bonds (excluding Recovery Bonds) of \$12.41 billion and \$7.82 billion as of June 30, 2011 and 2010, respectively.

The Authority is also authorized to have outstanding \$2.5 billion of bonds and notes to pay costs related to or arising from the World Trade Center attack on September 11, 2001 ("Recovery Bonds"). The Authority had Recovery Bonds outstanding as of June 30, 2011 and 2010 of \$1.47 billion and \$1.47 billion, respectively.

Of the \$4.25 billion and \$5.35 billion FTS Bonds issued in fiscal years 2011 and 2010, \$1.31 billion and \$1.73 billion, respectively were Build America Bonds ("BABs") and \$147.0 million and \$250.0 million, respectively were Qualified School Construction Bonds ("QSCBs"). The BABs and the QSCBs were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Act"). The BABs and QSCBs are taxable bonds for which the Authority receives a cash subsidy payment from the United States Treasury. In fiscal years 2011 and 2010, the Authority earned subsidy payments of \$51.84 million and \$13.88 million on its BABs and \$19.61 million and \$1.0 million on its QSCBs. The proceeds of the BABs are used to finance The City's capital expenditures and the QSCBs proceeds are used to finance The City's educational facilities.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010**

Future Tax Secured Bonds (continued)

The following summarizes the debt service activity for FTS Bonds in fiscal year 2011:

	Outstanding Principal Balance at June 30, 2010	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2011	Total Interest Payments FY 11
	(in thousands)					
Senior FTS Bonds	\$ 6,589,865	\$ (482,490)	\$ (261,255)	\$ (629,945)	\$ 5,216,175	\$ 227,167
Subordinate FTS Bonds:						
Recovery Bonds	1,466,200	-	-	-	1,466,200	7,338
Parity bonds	5,835,190	3,270,450	(115,415)	(25,380)	8,964,845	298,863
Build America Bonds	1,731,240	1,314,405	-	-	3,045,645	122,897
Qualified School Construction Bonds	250,000	147,060	-	-	397,060	15,336
Total Subordinate FTS Bonds	9,282,630	4,731,915	(115,415)	(25,380)	13,873,750	444,434
Total FTS bonds payable	\$ 15,872,495	\$ 4,249,425	\$ (376,670)	\$ (655,325)	\$ 19,089,925	\$ 671,601

The following summarizes the debt service activity for FTS Bonds in fiscal year 2010:

	Outstanding Principal Balance at June 30, 2009	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2010	Total Interest Payments FY 10
	(in thousands)					
Senior FTS Bonds	\$ 8,442,425	\$ -	\$ (138,080)	\$ (1,714,480)	\$ 6,589,865	\$ 277,342
Subordinate FTS Bonds:						
Recovery Bonds	1,521,900	81,000	(136,700)	-	1,466,200	5,604
Parity Bonds	2,697,855	3,283,755	(52,095)	(94,325)	5,835,190	224,361
Build America Bonds	-	1,731,240	-	-	1,731,240	10,807
Qualified School Construction Bonds	-	250,000	-	-	250,000	-
Total Subordinate FTS Bonds	4,219,755	5,345,995	(188,795)	(94,325)	9,282,630	240,772
Total FTS bonds payable	\$ 12,662,180	\$ 5,345,995	\$ (326,875)	\$ (1,808,805)	\$ 15,872,495	\$ 518,114

Building Aid Revenue Bonds

The Authority is also authorized to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs"), secured by building aid from New York State ("State") that is received by the Authority pursuant to the assignment to the Authority by The City in fiscal year 2007 (the "Assignment"). The City assigned its building aid, which is subject to annual appropriation by the State, to the Authority for the purpose of funding costs of the five-year educational facilities capital plan for The City school system and to pay its administrative expenses. The Authority issued \$650.0 million of BARBs in fiscal year 2011 and did not issue BARBs in fiscal year 2010. The Authority had BARBs outstanding as of June 30, 2011 and 2010 of \$4.73 billion and \$4.22 billion, respectively.

Of the \$650.0 million BARBs issued in fiscal years 2011, \$295.75 million were Build America Bonds ("BABs") and \$100.0 million were Qualified School Construction Bonds ("QSCBs"). The BABs and QSCBs are taxable bonds for which the Authority receives a cash subsidy payment from the United States Treasury. In fiscal year 2011, the Authority earned subsidy payments of \$4.52 million on its BABs and \$26.5 thousand on its QSCBs. The proceeds of the BABs are used to finance The City's capital expenditures and the QSCBs proceeds are used to finance The City's educational facilities.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010**

Building Aid Revenue Bonds (continued)

The following summarizes the debt service activity for BARBs in fiscal year 2011:

	Outstanding Principal Balance at June 30, 2010	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2011	Total Interest Payments FY 11
	(in thousands)					
Tax-exempt Bonds	\$ 4,221,155	\$ 254,250	\$ (65,455)	\$ (75,850)	\$ 4,334,100	\$ 207,838
Build America Bonds	-	295,750	-	-	295,750	-
Qualified School Construction Bonds	-	100,000	-	-	100,000	-
Total BARBs payable	\$ 4,221,155	\$ 650,000	\$ (65,455)	\$ (75,850)	\$ 4,729,850	\$ 207,838

The following summarizes the debt service activity for BARBs in fiscal year 2010:

	Outstanding Principal Balance at June 30, 2009	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2010	Total Interest Payments FY 10
	(in thousands)					
Tax-exempt bonds	\$ 4,251,180	\$ -	\$ (30,025)	\$ -	\$ 4,221,155	\$ 194,790
Total BARBs payable	\$ 4,251,180	\$ -	\$ (30,025)	\$ -	\$ 4,221,155	\$ 194,790

In accordance with GASB standards, the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority. The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses. Under the criteria established by GASB, the assignment of building aid revenue by The City to the Authority is considered a collateralized borrowing, due to The City's continuing involvement necessary for collection of the building aid. The Authority reports as an asset (Due from New York City—future State building aid) the cumulative amount it has distributed to The City for the educational facilities capital plan, net of the cumulative amount of building aid it has retained. On the fund financial statements the distributions to The City for its educational facilities capital program are reported as any other financing use of funds. Building aid retained by the Authority is treated as any other financing source as the amount retained is accounted for as a repayment of the amounts loaned to The City.

Below is a table summarizing the total building aid revenues from the State, remittances to The City and the balances retained by the Authority for the fiscal years ending June 30,

	2011	2010	2009
	-----in thousands-----		
Building aid received from New York State	\$ 894,478	\$ 829,949	\$ 757,199
Building aid remitted to New York City	(478,126)	(449,675)	(530,490)
Total retained for BARBs debt service and operating expenses	\$ 416,352	\$ 380,274	\$ 226,709

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010**

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following summarizes the activities of the Authority for the years ended June 30,

				Variance	
	2011	2010	2009	2011/2010	2010/2009
	-----in thousands-----			-----in thousands-----	
Revenues:					
Personal income tax retained	\$ 695,044	\$ 190,646	\$ 138,274	\$ 504,398	\$ 52,372
Unrestricted grant from New York City	789,697	370,524	645,747	419,173	(275,223)
Federal subsidy	75,991	14,885	-	61,106	14,885
Investment earnings	1,357	3,307	11,257	(1,950)	(7,950)
Total revenues	1,562,089	579,362	795,278	982,727	(215,916)
Expenses:					
Distributions to New York City for general capital program	3,469,002	3,146,860	11,448	322,142	3,135,412
Interest expense	870,183	721,707	651,003	148,476	70,704
Other	108,482	35,158	33,352	73,324	1,806
Total expenses	4,447,667	3,903,725	695,803	543,942	3,207,922
Change in net assets	(2,885,578)	(3,324,363)	99,475	438,785	(3,423,838)
Net deficit, beginning of year	(15,599,529)	(12,275,166)	(12,374,641)	(3,324,363)	99,475
Net deficit, end of year	\$ (18,485,107)	\$ (15,599,529)	\$ (12,275,166)	\$ (2,885,578)	\$ (3,324,363)

In fiscal year 2011, Personal Income Tax ("PIT") increased \$.42 billion or 5.90% over fiscal year 2010 due to The City's improving economy. The Authority received \$7.60 billion and \$7.18 billion of PIT in fiscal years 2011, and 2010, respectively.

The Authority received City grants of \$789.70 million and \$370.52 million in June 2011 and 2010, respectively. The receipt of City grants reduces the amount of PIT needed to be retained by the Authority in future fiscal years for its debt service payments on FTS Bonds and its administrative expenses.

As previously discussed, the Authority issued BABs and QSCBs for the first time in fiscal year 2010. As a result of the issuance of these taxable bonds, the Authority earned \$75.99 million and \$14.88 million in Federal interest subsidies in June 30, 2011 and June 30, 2010, respectively.

The continuing decrease in investment earnings is due to the lower interest rate environment and the timing of the distributions to The City for its capital programs, which reduces the amount available for the Authority to invest.

Fiscal year 2011 expenses increased due to the Authority's issuance of \$3.60 billion in new money FTS bonds of which \$3.47 billion was distributed to The City for its capital programs. Due to the timing of the bond issuances and The City's incurrence of capital expenditures, the remaining balance of bonds proceeds are available to be transferred to The City in fiscal year 2012.

Interest expense increased in fiscal year 2011 by \$148.48 million due to the increase in outstanding bonds.

Other expenses consist primarily of amortization costs related to the issuance of debt, the Authority's administrative expenses, and federal subsidies transferred to The City. The increase of \$73.33 million in other expenses was primarily due to the transfer of \$62.9 million more of federal subsidies to The City.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010**

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS
(continued)**

The following summarizes the Authority's assets, liabilities, and net assets (deficits) as of June 30,

	2011	2010	2009	Variance	
				2011/2010	2010/2009
	-----in thousands-----			-----in thousands-----	
Assets:					
Total assets	\$ 6,551,298	\$ 5,374,891	\$ 5,306,497	\$ 1,176,407	\$ 68,394
Liabilities:					
Current liabilities	1,552,029	1,015,544	587,865	536,485	427,679
Non-current liabilities:	23,484,376	19,958,876	16,993,798	3,525,500	2,965,078
Total liabilities	25,036,405	20,974,420	17,581,663	4,061,985	3,392,757
Net assets (deficits):					
Restricted	745,643	437,286	619	308,357	436,667
Unrestricted	(19,230,750)	(16,036,815)	(12,275,785)	(3,193,935)	(3,761,030)
Total deficit, end of year	\$ (18,485,107)	\$ (15,599,529)	\$ (12,275,166)	\$ (2,885,578)	\$ (3,324,363)

Total assets increased in fiscal year 2011 by approximately \$1.18 billion primarily due to the increased available holding of capital bond proceeds and a grant from The City for fiscal year 2012 debt service, as previously discussed.

Total liabilities increased by approximately \$4.0 billion primarily because in fiscal year 2011 the Authority had approximately \$3.7 billion more in outstanding bonds. In addition, there was approximately \$281 million more of bond proceeds due to The City.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

The Authority reports governmental activity using five funds, comprised of the general fund, two capital projects funds: a building aid revenue bonds capital project fund ("BARBs CPF"), and a future tax secured capital project fund ("FTS Bonds CPF"); and two debt service funds: a building aid revenue bonds debt service fund ("BARBs DSF") and a future tax secured debt service fund ("FTS Bonds DSF"). In fiscal year 2011, the Authority implemented Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). GASB 54 resulted in the creation of a general fund and the restatement of those activities that were formerly presented in the debt service funds and now reported under a general fund. The Authority now accounts for and reports in the general fund its administrative and operating expenditures along with the resources used or held for use to pay for those operating activities, pursuant to the Indenture.

The following summarizes the General Fund activities of the Authority for the years ended June 30,

	2011	2010	2009	Variance	
				2011/2010	2010/2009
	-----in thousands-----			-----in thousands-----	
Fund balance, beginning of year	\$ 11,984	\$ 9,941	\$ 4,325	\$ 2,043	\$ 5,616
Revenues	84,989	13,704	14,024	71,285	(320)
Expenditures	(80,870)	(11,661)	(8,409)	(69,209)	(3,252)
Other financing sources (uses), net	320	-	-	320	-
Fund balance, end of year	\$ 16,423	\$ 11,984	\$ 9,940	\$ 4,439	\$ 2,044

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010**

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUNDS FINANCIAL STATEMENTS
(continued)**

As previously discussed, the Authority issued BABs and QSCBs for the first time in fiscal year 2010. As a result of the issuance of these taxable bonds, there was a significant increase in revenues in fiscal year 2011, which was passed through to The City causing a significant increase in expenditures.

The following summarizes the BARBs CPF activities of the Authority for the years ended June 30,

	2011	2010	2009	Variance	
				2011/2010	2010/2009
	-----in thousands-----			-----in thousands-----	
Fund balance, beginning of year	\$ -	\$ 56	69,665	\$ (56)	\$ (69,609)
Revenues	36	280	881	(244)	(601)
Expenditures	(515,081)	(279)	(16,669)	(514,802)	16,390
Other financing sources (uses), net	658,993	(57)	(53,821)	659,050	53,764
Fund balance, end of year	<u>\$ 143,948</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 143,948</u>	<u>\$ (56)</u>

The Authority's bond proceeds and distributions to The City are reported as other financing sources (uses) in the governmental funds. As previously discussed, the Authority issued \$650.0 million BARBS in fiscal year 2011 and distributed \$510.58 million of BARB proceeds to The City to finance its educational facilities capital program. The distribution paid to The City is reported as expenditures, which also consisted of \$4.5 million of issuance costs.

As the Authority did not issue any BARBs in fiscal year 2010, approximately \$279 thousand of remaining fiscal year 2009 BARBs proceeds and related interest earnings were distributed to The City in fiscal year 2010.

The following summarizes the FTS Bonds CPF activities of the Authority for the years ended June 30,

	2011	2010	2009	Variance	
				2011/2010	2010/2009
	-----in thousands-----			-----in thousands-----	
Fund balance, beginning of year	\$ 436,803	\$ -	\$ 30,411	\$ 436,803	\$ (30,411)
Revenues	1,767	613	252	1,154	361
Expenditures	(3,490,940)	(3,166,235)	(11,448)	(324,705)	(3,154,787)
Other financing sources (uses), net	3,654,065	3,602,425	(19,215)	51,640	3,621,640
Fund balance, end of year	<u>\$ 601,695</u>	<u>\$ 436,803</u>	<u>\$ -</u>	<u>\$ 164,892</u>	<u>\$ 436,803</u>

Expenditures increased in fiscal year 2011 due to the Authority's distribution of \$3.47 billion to The City for its capital programs. These distributions were financed from the Authority's issuance of \$3.60 billion of new money FTS Bonds which are recorded as other financing sources. The remaining balance of bonds proceeds are available to be transferred to The City in fiscal year 2012.

Expenditures increased in fiscal year 2010 due to the Authority's distribution of \$3.15 billion to The City for its capital programs. These distributions were financed from the Authority's issuance of \$3.56 billion of new money FTS Bonds which are recorded as other financing sources.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010**

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUNDS FINANCIAL STATEMENTS
(continued)**

The following summarizes the BARBs DSF activities of the Authority for the years ended June 30,

	2011	2010	2009	Variance	
				2011/2010	2010/2009
	-----in thousands-----			-----in thousands-----	
Fund balance, beginning of year	\$ 525,386	\$ 368,980	\$ 245,542	\$ 156,406	\$ 123,438
Revenues	(822)	1,205	3,371	(2,027)	(2,166)
Expenditures	(273,293)	(225,130)	(107,660)	(48,163)	(117,470)
Other financing sources (uses), net	334,723	380,331	227,727	(45,608)	152,604
Fund balance, end of year	<u>\$ 585,994</u>	<u>\$ 525,386</u>	<u>\$ 368,980</u>	<u>\$ 60,608</u>	<u>\$ 156,406</u>

Expenditures in the BARBs DSF are primarily the debt service payments on outstanding BARBs. The other financing sources consist primarily of \$416.35 million, \$380.27 million and \$226.71 million of State building aid retained by the Authority in fiscal years 2011, 2010 and 2009 respectively.

The following summarizes the FTS Bonds DSF activities of the Authority for the years ended June 30,

	2011	2010	2009	Variance	
				2011/2010	2010/2009
	-----in thousands-----			-----in thousands-----	
Fund balance, beginning of year	\$ 554,834	\$ 841,034	\$ 749,404	\$ (286,200)	\$ 91,630
Revenues	1,462,993	552,707	790,774	910,286	(238,067)
Expenditures	(1,051,712)	(859,231)	(720,171)	(192,481)	(139,060)
Other financing sources (uses), net	756	20,324	21,027	(19,568)	(703)
Fund balance, end of year	<u>\$ 966,871</u>	<u>\$ 554,834</u>	<u>\$ 841,034</u>	<u>\$ 412,037</u>	<u>\$ (286,200)</u>

The FTS Bonds DSF revenue consists primarily of grants from The City and PIT retained by the Authority. The Authority received unrestricted grants from The City of \$789.70 million and \$370.52 million in fiscal years 2011 and 2010, respectively. These grants and the PIT retained are used to service the Authority's FTS Bonds debt service and its administrative expenses.

Expenditures increased in fiscal year 2010 over fiscal year 2009 due to the increase in debt service payments on the FTS Bonds.

Other financing sources (uses) consist primarily of the proceeds from FTS Bonds issued for the refunding of prior years' FTS Bonds and the payment to the escrow agent for the refunded bonds.

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Raymond Orlando, Manager of Investor Relations, the New York City Transitional Finance Authority, 75 Park Place, New York, NY 10007.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
STATEMENTS OF NET ASSETS (DEFICIT)
AS OF JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
	(in thousands)	
ASSETS:		
Unrestricted cash and cash equivalents	\$ 18,832	\$ 13,910
Restricted cash and cash equivalents	1,165,997	950,701
Restricted cash in escrow for economic defeasance	-	2
Restricted investments	1,420,967	570,480
Restricted investments in escrow for economic defeasance	-	481
Personal income tax receivable from New York State	297,023	313,747
Due from New York City - future State building aid	3,515,027	3,420,798
Unamortized bond issuance costs	108,903	93,353
Other	24,549	11,419
TOTAL ASSETS	<u>\$ 6,551,298</u>	<u>\$ 5,374,891</u>
LIABILITIES:		
Personal income tax payable to New York City	\$ 297,023	\$ 313,747
Distribution payable to New York City capital programs	286,727	3,505
Accrued expenses	4,458	3,062
Accrued interest payable	301,706	253,249
Bonds payable		
Portion due within one year	662,115	441,665
Portion due after one year	23,157,660	19,651,985
Unamortized deferred bond refunding costs	(198,080)	(174,278)
Unamortized bond premium	524,796	481,169
Other	-	316
TOTAL LIABILITIES	<u>25,036,405</u>	<u>20,974,420</u>
NET ASSETS (DEFICIT):		
Restricted for economic defeasance	-	483
Restricted for capital projects	745,643	436,803
Unrestricted	(19,230,750)	(16,036,815)
TOTAL DEFICIT	<u>\$ (18,485,107)</u>	<u>\$ (15,599,529)</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
	(in thousands)	
REVENUES:		
Personal income tax revenue	\$ 7,601,070	\$ 7,176,992
Less remittances to New York City	<u>(6,906,026)</u>	<u>(6,986,346)</u>
Personal income tax revenue retained	695,044	190,646
Unrestricted grant from New York City	789,697	370,524
Federal interest subsidy	75,991	14,885
Investment earnings	<u>1,357</u>	<u>3,307</u>
TOTAL REVENUES	<u>1,562,089</u>	<u>579,362</u>
EXPENSES:		
General and administrative expenses	18,005	11,977
Distribution to New York City for general capital program	3,469,002	3,146,860
Distribution of federal interest subsidy to New York City	62,865	3,782
Amortization of deferred bond refunding costs	17,776	10,648
Interest expense	870,183	721,707
Amortization of debt issuance costs	<u>9,836</u>	<u>8,751</u>
TOTAL EXPENSES	<u>4,447,667</u>	<u>3,903,725</u>
CHANGE IN DEFICIT	(2,885,578)	(3,324,363)
DEFICIT - beginning of year	<u>(15,599,529)</u>	<u>(12,275,166)</u>
DEFICIT - end of year	<u><u>\$ (18,485,107)</u></u>	<u><u>\$ (15,599,529)</u></u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEETS
AS OF JUNE 30, 2011**

	(in thousands)					
	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
ASSETS:						
Unrestricted cash and cash equivalents	\$ 18,832	\$ -	\$ -	\$ -	\$ -	\$ 18,832
Restricted cash and cash equivalents	-	303,516	730,046	20,152	112,283	1,165,997
Restricted investments	-	-	-	566,162	854,805	1,420,967
Personal income tax receivable from New York State	-	-	-	-	297,023	297,023
Other	320	-	-	-	-	320
TOTAL ASSETS	\$ 19,152	\$ 303,516	\$ 730,046	\$ 586,314	\$ 1,264,111	\$ 2,903,139
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accrued expenses	\$ 2,729	\$ 568	\$ 624	\$ 320	\$ 217	\$ 4,458
Distribution payable to New York City for capital programs	-	159,000	127,727	-	-	286,727
Deferred personal income tax revenue	-	-	-	-	190,000	190,000
Personal income tax payable to New York City	-	-	-	-	107,023	107,023
TOTAL LIABILITIES	2,729	159,568	128,351	320	297,240	588,208
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	-	143,948	601,695	-	-	745,643
Debt service	-	-	-	585,994	966,871	1,552,865
Unassigned	16,423	-	-	-	-	16,423
TOTAL FUND BALANCES	16,423	143,948	601,695	585,994	966,871	2,314,931
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,152	\$ 303,516	\$ 730,046	\$ 586,314	\$ 1,264,111	\$ 2,903,139

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEETS
AS OF JUNE 30, 2010**

	(in thousands)					
	Capital Projects		Debt Service		Total Governmental Funds	
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
ASSETS:						
Unrestricted cash and cash equivalents	\$ 13,910	\$ -	\$ -	\$ -	\$ -	\$ 13,910
Restricted cash and cash equivalents	-	279	440,668	326,586	183,168	950,701
Restricted cash in escrow for economic defeasance	-	-	-	-	2	2
Restricted investments	-	-	-	199,116	371,364	570,480
Restricted investments in escrow for economic defeasance	-	-	-	-	481	481
Personal income tax receivable from New York State	-	-	-	-	313,747	313,747
Other	316	-	-	-	-	316
TOTAL ASSETS	<u>\$ 14,226</u>	<u>\$ 279</u>	<u>\$ 440,668</u>	<u>\$ 525,702</u>	<u>\$ 868,762</u>	<u>\$ 1,849,637</u>
LIABILITIES AND FUND BALANCE:						
LIABILITIES:						
Accrued expenses	\$ 2,242	\$ -	\$ 639	\$ -	\$ 181	\$ 3,062
Distribution payable to New York City capital programs	-	279	3,226	-	-	3,505
Deferred personal income tax revenue	-	-	-	-	261,000	261,000
Personal income tax payable to New York City	-	-	-	-	52,747	52,747
Other	-	-	-	316	-	316
TOTAL LIABILITIES	<u>2,242</u>	<u>279</u>	<u>3,865</u>	<u>316</u>	<u>313,928</u>	<u>320,630</u>
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	-	-	436,803	-	-	436,803
Debt service	-	-	-	250,626	184,310	434,936
Assigned to debt service	-	-	-	274,760	370,524	645,284
Unassigned	11,984	-	-	-	-	11,984
TOTAL FUND BALANCES	<u>11,984</u>	<u>-</u>	<u>436,803</u>	<u>525,386</u>	<u>554,834</u>	<u>1,529,007</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,226</u>	<u>\$ 279</u>	<u>\$ 440,668</u>	<u>\$ 525,702</u>	<u>\$ 868,762</u>	<u>\$ 1,849,637</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET ASSETS (DEFICIT)
AS OF JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
	<u>(in thousands)</u>	
Total fund balances - governmental funds	\$ 2,314,931	\$ 1,529,007
Amounts reported for governmental activities in the statements of net assets (deficit) are different because:		
Costs of debt issuance are expenditures in governmental funds. financial statements. However, in the statements of net assets (deficit), the costs of debt issuance are reported as capitalized assets and amortized over the life of the related asset.	108,903	93,353
Bond premiums are reported as other financing sources in the governmental funds financial statements. However, in the statements of net assets (deficit), bond premiums are reported as a component of bonds payable and amortized over the lives of the related debt.	(524,796)	(481,169)
Federal Interest subsidy on BABs and QSCBs is recognized when the related bond interest is reported. On the statements of net assets (deficit), the amount of the subsidy applicable to the accrued bond interest is receivable as of fiscal year end. However, in the governmental funds balance sheet where no bond interest is reported as payable until due, no subsidy receivable is reported.	24,229	11,103
Distributions to The City's educational facilities capital program from BARBs proceeds are reported as an other financing source in the governmental funds financial statements. However, in the statement of net assets (deficit), they are reported as due from The City.	3,515,027	3,420,798
Some liabilities are not due and payable in the current period from currently available financial resources and therefore are not reported in the governmental funds financial statements but are reported in the statements of net assets (deficit). These liabilities consist of:		
Bonds payable	(23,819,775)	(20,093,650)
Accrued interest payable	(301,706)	(253,249)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statement of net assets (deficit), those costs and the related gain or loss are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	<u>198,080</u>	<u>174,278</u>
Net assets (deficit) of governmental activities	<u>\$ (18,485,107)</u>	<u>\$ (15,599,529)</u>

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	(in thousands)					
	Capital Projects		Debt Service		Total	
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Governmental Funds
REVENUES:						
Personal income tax revenue	\$ 22,120	\$ -	\$ -	\$ -	\$ 7,649,950	\$ 7,672,070
Less remittances to New York City	-	-	-	-	(6,977,026)	(6,977,026)
Personal income tax revenue retained	22,120	-	-	-	672,924	695,044
Unrestricted grant from New York City	-	-	-	-	789,697	789,697
Federal interest subsidy	62,865	-	-	-	-	62,865
Investment earnings	4	36	1,767	(822)	372	1,357
TOTAL REVENUES	84,989	36	1,767	(822)	1,462,993	1,548,963
EXPENDITURES:						
Interest expense	-	-	-	207,838	671,577	879,415
Interest expense economic defeasance	-	-	-	-	24	24
Costs of debt issuance	-	4,501	21,938	-	-	26,439
Distributions to New York City for general capital program	-	-	3,469,002	-	-	3,469,002
Distributions of federal interest subsidy to New York City	62,865	-	-	-	-	62,865
Principal amounts of bonds retired	-	-	-	65,455	376,210	441,665
Principal amounts of economic defeased bonds retired	-	-	-	-	460	460
Refunding bond issuance costs	-	-	-	-	3,441	3,441
General and administrative expenses	18,005	-	-	-	-	18,005
TOTAL EXPENDITURES	80,870	4,501	3,490,940	273,293	1,051,712	4,901,316
Excess (deficiency) of revenues over expenditures	4,119	(4,465)	(3,489,173)	(274,115)	411,281	(3,352,353)
OTHER FINANCING SOURCES (USES):						
Principal amount of bonds issued	-	650,000	3,600,000	-	-	4,250,000
Distributions to New York City for educational facilities capital program	-	(510,580)	-	-	-	(510,580)
Refunding bond proceeds	-	-	-	-	649,425	649,425
Bond premium, net of discount	-	9,018	54,275	-	64,829	128,122
Payments to refunded bond escrow holder	-	-	-	(81,334)	(713,708)	(795,042)
Transfer from New York City - building aid	-	-	-	416,352	-	416,352
Transfers in (out)	320	(25)	(210)	(295)	210	-
TOTAL OTHER FINANCING SOURCES (USES)	320	148,413	3,654,065	334,723	756	4,138,277
NET CHANGES IN FUND BALANCES	4,439	143,948	164,892	60,608	412,037	785,924
Fund Balances - beginning of year	11,984	-	436,803	525,386	554,834	1,529,007
FUND BALANCES - end of year	\$ 16,423	\$ 143,948	\$ 601,695	\$ 585,994	\$ 966,871	\$ 2,314,931

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	(in thousands)					
	Capital Projects		Debt Service		Total	
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Governmental Funds
REVENUES:						
Personal income tax revenue	\$ 13,700	\$ -	\$ -	\$ -	\$ 6,861,292	\$ 6,874,992
Less remittances to New York City	-	-	-	-	(6,684,346)	(6,684,346)
Personal income tax revenue retained	13,700	-	-	-	176,946	190,646
Unrestricted grant from New York City	-	-	-	-	370,524	370,524
Federal interest subsidy	-	-	-	-	3,782	3,782
Investment earnings	4	30	613	1,205	1,455	3,307
Other	-	250	-	-	-	250
TOTAL REVENUES	13,704	280	613	1,205	552,707	568,509
EXPENDITURES:						
Interest expense	-	-	-	194,789	516,895	711,684
Interest expense economic defeasance	-	-	-	-	1,219	1,219
Costs of debt issuance	-	-	19,375	-	-	19,375
Distributions to New York City for general capital program	-	-	3,146,860	-	-	3,146,860
Distributions of federal interest subsidy to New York City	-	-	-	-	3,782	3,782
Principal amounts of bonds retired	-	-	-	30,025	295,260	325,285
Principal amounts of economic defeased bonds retired	-	-	-	-	31,615	31,615
Refunding bond issuance costs	-	-	-	-	10,460	10,460
General and administrative expenses	11,661	-	-	316	-	11,977
TOTAL EXPENDITURES	11,661	-	3,166,235	225,130	859,231	4,262,257
Excess (deficiency) of revenues over expenditures	2,043	280	(3,165,622)	(223,925)	(306,524)	(3,693,748)
OTHER FINANCING SOURCES (USES)						
Principal amount of bonds issued	-	-	3,565,000	-	-	3,565,000
Distributions to New York City for educational facilities capital program	-	(279)	-	-	-	(279)
Refunding bond proceeds	-	-	-	-	1,780,995	1,780,995
Bond premium, net of discount	-	-	29,532	-	174,074	203,606
Payments to refunded bond escrow holder	-	-	-	-	(1,926,852)	(1,926,852)
Transfer from New York City - building aid	-	-	-	380,274	-	380,274
Transfers in (out)	-	(57)	7,893	57	(7,893)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(336)	3,602,425	380,331	20,324	4,002,744
NET CHANGES IN FUND BALANCES	2,043	(56)	436,803	156,406	(286,200)	308,996
Fund Balances - beginning of year	9,941	56	-	368,980	841,034	1,220,011
FUND BALANCES - end of year	\$ 11,984	\$ -	\$ 436,803	\$ 525,386	\$ 554,834	\$ 1,529,007

The accompanying notes are an integral part of these financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
	<u>(in thousands)</u>	
Net changes in fund balances - total governmental funds	\$ 785,924	\$ 308,996
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds, but bonds issued increase long-term liabilities on the statements of net assets (deficit).	(4,899,425)	(3,565,000)
Refunding bond proceeds and payments to refunded bond escrow holder are reported as other financing sources and uses in the governmental funds, but increase and decrease long-term liabilities in the statements of net assets (deficit).	795,042	145,857
Governmental funds report costs of bond refundings as expenditures. However, in the statements of activities, the costs of bond refundings are amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to advance refund the bonds.	(14,335)	(188)
Repayment (including defeasance) of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets (deficit).	442,125	356,900
Governmental funds report the costs of debt issuance as expenditures. However, in the statements of activities, the cost of debt issuance is amortized over the life of the related debt.	16,603	10,624
Governmental funds report bond premiums/discounts as other financing sources/uses. However, in the statements of activities, bond premiums/discounts are amortized over the lives of the related debt as interest expense.	(60,922)	(141,481)
Distributions to The City's educational facilities capital program from BARBs proceeds are reported as an other financing use in governmental funds. However, in the statements of activities, distributions of BARBs proceeds are reported as due from New York City-future State building aid.	510,580	279
Retention of building aid is reported similar to a transfer from the City, as an other financing source in the governmental funds. However, in the statements of activities, building aid retained is reported as a reduction of the amount due from New York City-future State building aid.	(416,352)	(380,274)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest cost is reported. On the statement of activities, the subsidy revenue in the amount applicable to the accrued bond interest expense is accrued as of fiscal year end. However, in the governmental funds where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	13,126	11,103
Interest expense is reported in the statement of activities on the accrual basis, but interest is reported as an expenditure in the governmental funds when the outlay of financing resources is required.	(57,944)	(70,929)
Other	-	(250)
Change in net (deficit) assets of governmental activities	<u>\$ (2,885,578)</u>	<u>\$ (3,324,363)</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The New York City Transitional Finance Authority (the “Authority”) is a corporate governmental entity constituting a public benefit corporation and an instrumentality of the State of New York (the “State”). The Authority is governed by a Board of five directors, consisting of the following officials of The City of New York (the “City”): the Director of Management and Budget (who also serves as Chairperson), the Commissioner of Finance, the Commissioner of Design and Construction, the City Comptroller and the Speaker of the City Council. Although legally separate from The City, the Authority is a financing instrumentality of The City and is included in The City’s financial statements as a blended component unit, in accordance with the Governmental Accounting Standards Board (“GASB”) standards.

The Authority was created by State legislation enacted in 1997 to issue and sell up to \$7.5 billion in bonds and notes (“Future Tax Secured Bonds” or “FTS Bonds”) to fund a portion of the capital program of The City, the purpose of which is to maintain, rebuild and expand the infrastructure of The City and to pay the Authority’s administrative expenses.

In June 2000, the State Legislature increased to \$11.5 billion the Authority’s capacity to issue bonds and notes for general City capital purposes. Within the \$11.5 billion, the State Legislature increased the amount of FTS Bonds which may be issued as variable rate debt from \$750 million to \$2.3 billion. In July 2006, the statutory capacity to issue bonds and notes for general capital purposes of The City was increased by \$2 billion; as of June 30, 2007, the Authority had issued its statutory limit of \$13.5 billion of FTS Bonds. In July 2009, authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009 which permits the Authority to have outstanding \$13.5 billion of FTS Bonds. In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by The City, does not exceed the debt limit of The City. As of July 1, 2011, The City’s and the Authority’s combined debt-incurring capacity was approximately \$24.06 billion.

On September 13, 2001, the State Legislature authorized the Authority to have outstanding an additional \$2.5 billion of bonds and notes (“Recovery Bonds”) to fund The City’s costs related to and arising from events on September 11, 2001 at the World Trade Center, notwithstanding the limits discussed above.

Legislation enacted in April 2006 additionally enables the Authority to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds (“BARBs”), notes or other obligations for purposes of funding costs of the five-year educational facilities capital plan for The City school system and the Authority’s administrative expenses.

The Authority does not have any employees; its affairs are administered by employees of The City and of another component unit of The City, for which the Authority pays a management fee and overhead based on its allocated share of personnel and overhead costs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The government-wide financial statements of the Authority, which include the statements of net assets (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The statements of net assets (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of cash flows.

The Authority’s governmental fund financial statements (General, Capital Project and Debt Service Funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for interest on bonds payable, which is recognized when due.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority uses five governmental funds for reporting its activities: (1) a general fund, (2) a building aid revenue bonds capital project fund ("BARBs CPF"), (3) a future tax secured bonds capital project fund ("FTS Bonds CPF"); (4) a building aid revenue bonds debt service fund ("BARBs DSF"), and (5) a future tax secured bonds debt service fund ("FTS Bonds DSF"). The two capital project funds account for resources to be transferred to The City's capital programs in satisfaction of amounts due to The City and the two debt service funds account for the accumulation of resources for payment of principal and interest on long-term debt and certain interest on short-term debt. The General Fund accounts for and reports all financial resources not accounted for in the capital and debt service funds, including the Authority's administrative expenses.

- B. Fund balances are classified as either: 1) nonspendable, 2) restricted, or 3) unrestricted. Unrestricted fund balance is further classified as: (a) committed, (b) assigned, or (c) unassigned.

The Board of Directors of the Authority ("Board") constitutes the Authority's highest level of decision-making authority and resolutions adopted by the Board that constrain fund balances for a specific purpose are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of the Authority duly authorized under its bond indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

When both restricted and unrestricted resources are available for use for a specific purpose, it is the Authority's policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for us for a specific purpose, it is the Authority's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Resources constrained for debt service or redemption in accordance with the Authority's Indenture are classified as restricted on the statements of net assets (deficit) and the governmental funds balance sheets.

- C. Bond and bond anticipation note premiums, discounts and issuance costs are capitalized and amortized over the lives of the related debt using the interest method in the government-wide financial statements. The governmental fund financial statements recognize the premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued and premium received are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.
- D. Deferred bond refunding costs represent the accounting loss incurred in advance refunding of outstanding bonds. The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In the debt service funds, costs of the bond refundings are reported as expenditures when incurred.
- E. Interest expense is recognized on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when bond interest is due in the governmental fund financial statements.
- F. The Authority receives City personal income taxes, imposed pursuant to State law and collected on behalf of the Authority by the State, to service its future tax secured debt and pay a portion of its administrative expenses. Funds for FTS Bonds debt service are required to be set aside prior to the due date of the principal and interest. Personal income taxes in excess of amounts needed to pay debt service and administrative expenses of the Authority are available to be remitted to The City. During fiscal years 2011 and 2010, unrestricted grants were received from the City, as described in Note 6.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. The Authority receives building aid payments by the State, subject to State annual appropriation, pursuant to the assignment by The City of the building aid payments to the Authority to service its building aid revenue bonds and pay a portion of its administrative expenses. Due to The City's continuing involvement necessary for the collection of the building aid, this assignment is considered a collateralized borrowing between The City and the Authority. The Authority reports, on its statement of net assets, an asset (Due from New York City—future State building aid) representing the cumulative amount it has distributed to The City for the educational facilities capital plan, net of the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to The City for its educational facilities capital program are reported as any other financing use of funds. Building aid retained by the Authority is treated as an other financing source as the amount retained is accounted for as a repayment of the amounts loaned to The City. During the years ended June 30, 2011 and 2010, the Authority retained \$416.35 million and \$380.27 million, respectively of State building aid to be used for BARBs debt service and its administrative expenses.
- H. To maintain the exemption from Federal income tax of interest on bonds issued by the Authority, the Authority will fund amounts required to be rebated to the Federal government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. The Authority was not required to make an arbitrage rebate payment in fiscal years 2011 and 2010.

The Authority receives a subsidy from the United States Treasury due to the Authority's issuance of taxable Build America Bonds (BABs) and taxable Qualified School Construction Bonds (QSCBs) under the American Recovery and Reinvestment Act of 2009. This subsidy is recognized when the related bond interest is reported. On the statement of net assets, the amount of the subsidy related to the accrued bond interest is reported as a receivable at year end, while in the governmental funds balance sheet where no bond interest is reported as payable until due, no subsidy receivable is reported.

- I. Newly Adopted Standards and Standards Issued But Not Yet Effective.

As a Component Unit of The City, the Authority implements new GASB standards in the same fiscal year as they are implemented by The City. The following are discussions of the standards requiring implementation in the current year and standards which will or may impact the Authority future years.

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), effective for periods beginning after June 15, 2010. In fiscal year 2011, the Authority implemented GASB 54. GASB 54 changed the terminology and classification of fund balances to reflect spending constraints on the reported resources. It also changed the definitions of various fund types such that the Authority is required to account for and report certain administrative operations in a new general fund, rather than in its debt service fund. The Statement changed the display of fund balances in the governmental fund financial statements and requires that governments disclose certain fund balance classifications and policies in the notes to the financial statements. As a result of the Authority implementing GASB 54, it established a general fund to account for the financial resources for its operating activities in the current period and restated the operating activities of the prior period in accordance with the Statement. The impact of the implementation of GASB 54 reduced the beginning fiscal year 2010 DSF balance by \$9.94 million and increased the GF fund balance by the same amount. GASB 54 did not have any financial impact on the Authority's reported levels of total governmental fund balances or net assets (deficits).

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus* ("GASB 59"). The Statement clarifies the accounting for a number of financial instruments including allocated and unallocated insurance contracts. The Statement is effective for the financial statements for periods beginning after June 15, 2010. The Authority has not completed the process of evaluating GASB 59, but does not expect it to have an impact on its financial statements.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements* (“GASB 60”). The Statement establishes the financial reporting for service concession agreements. The Statement is effective for financial statement periods beginning after December 15, 2011, but is not expected to have an impact on the Authority’s financial statements.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statement No. 14 and No. 34* (“GASB 61”). The Statement amends existing standards relating to the composition and reporting of the governmental financial reporting entity. The Statement is effective for financial statement periods beginning after June 15, 2012, but is not expected to have an impact because on the Authority or its status as a blended component unit of The City.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements* (“GASB 62”). The Statement incorporates a large volume of FASB and AICPA accounting pronouncements into the GASB hierarchy of generally accepted accounting principles for governments. The Statement is effective for financial statement periods beginning after December 15, 2011. The Authority has not completed the process of evaluation GASB 62, but does not expect it to have an impact on its financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”). The Statement establishes new reporting requirements of two elements (deferred outflows of resources and deferred inflows of resources) and renames the Statement of Net Assets to Statement of Net Position, as well as reported Net Assets, and components thereof, to Net Position. The Statement is effective for financial statements for periods beginning after December 15, 2011. The Authority has not completed the process of evaluating GASB 63, but it is expected to change only the formatting and naming of the Authority’s statement of position and components thereof, with no overall financial impact.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision* (“GASB 64”). The Statement clarifies the existing requirements for the termination of hedge accounting upon default or termination of a swap counterparty or swap counterparty’s credit support provider. The Statement is effective for financial statements for periods beginning after June 15, 2011. The Authority has not completed the process of evaluating GASB 64, but does not expect it to have an impact on its financial statements.

- J. 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, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Prior year amounts have been reclassified to conform to current year presentation.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Authority’s restricted cash and cash equivalents consisted of bank deposits, money market funds, U.S. Treasuries, and securities of government sponsored enterprises held by the Authority’s Trustee in the Trustee’s name. The Authority’s restricted cash escrow is cash held by the escrow agent in the economic defeasance account.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 3 – CASH AND CASH EQUIVALENTS (continued)

The Authority's cash and cash equivalents and those restricted for the economic defeasance as of June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	\$ 333	\$ 96
Cash equivalents (see Note 4)	<u>1,165,664</u>	<u>950,607</u>
Total restricted cash and cash equivalents	<u>1,165,997</u>	<u>950,703</u>
 Unrestricted cash and cash equivalents:		
Cash	210	206
Cash equivalents (see Note 4)	<u>18,622</u>	<u>13,704</u>
Total unrestricted cash and cash equivalents	<u>18,832</u>	<u>13,910</u>
 Total Cash and Cash Equivalents	<u><u>\$ 1,184,829</u></u>	<u><u>\$ 964,613</u></u>

As of June 30, 2011 and 2010, the Authority's restricted cash in escrow for economic defeasance consisted of bank deposits. As of June 30, 2011 and 2010, the carrying amounts and bank balances of bank deposits were \$0 and \$2.0 thousand, respectively.

The Authority's unrestricted cash and cash equivalents consisted of bank deposits, money market funds and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2011 and 2010, the carrying amounts and bank balances of unrestricted bank deposits were \$210 thousand and \$206 thousand, respectively, and were insured by the FDIC.

The Authority's investments classified as cash and cash equivalents have an original maturity date of three months or less from the date of purchase. The Authority values those investments at fair value (see Note 4 below for a discussion of the Authority's investment policy).

NOTE 4 – INVESTMENTS

Each account of the Authority that is held pursuant to the Indenture between the Authority and its Trustee, as amended and as restated December 1, 2010, (the "Indenture") may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture.

Custodial credit risk: Is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are not collateralized. All investments are held in the Trustee's name by the Trustee.

Credit risk: The Authority's investments are primarily government-sponsored enterprise discount notes. All commercial paper held by the Authority is non-asset backed commercial paper and is rated A1+ by Standard Poor's Rating Services and P1 by Moody's Investor Services.

Interest rate risk: Substantially all of the Authority's investments mature in one year or less. Investments with longer term maturities are not expected to be liquidated prior to maturity, thereby limiting exposure from rising interest rates.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 4 – INVESTMENTS (continued)

The Authority's investments, including cash equivalents and those restricted for the economic defeasance, as of June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
	(in thousands)	
Restricted investments, including economic defeasance investments:		
Money market funds	\$ 1,689	\$ 1,740
Securities of U.S. government agencies	1,552,904	992,199
U.S. Treasuries	-	87,694
Commercial paper	<u>1,032,038</u>	<u>439,935</u>
Total restricted investments	2,586,631	1,521,568
Less: amounts reported as cash equivalents	<u>(1,165,664)</u>	<u>(950,607)</u>
Total restricted investments, including economic defeasance investments	<u>\$ 1,420,967</u>	<u>\$ 570,961</u>
Unrestricted:		
Money market funds	1,622	1,704
Securities of U.S. government agencies	<u>17,000</u>	<u>12,000</u>
Total unrestricted investments	18,622	13,704
Less: amounts reported as cash equivalents	<u>(18,622)</u>	<u>(13,704)</u>
Total unrestricted investments	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – BONDS PAYABLE

Pursuant to the New York City Transitional Finance Authority Act (the "Act"), as amended, the Authority is authorized to have outstanding \$13.5 billion of FTS Bonds, excluding Recovery Bonds. In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of July 1, 2011, the City's and the Authority's combined debt-incurring capacity was approximately \$24.06 billion. The Authority is also authorized to have outstanding \$2.5 billion of Recovery Bonds and notes to pay costs related to or arising from the World Trade Center attack on September 11, 2001.

The Indenture permits the Authority to issue Senior and Subordinate FTS Bonds which consists of Recovery Bonds, Build America Bonds, Qualified School Construction Bonds, and other parity debt. As of June 30, 2011 and 2010, the Authority had \$5.22 billion and \$6.59 billion, respectively, of Senior bonds outstanding, including \$0 million and \$.5 million, respectively, of economically defeased bonds. The Authority is authorized to issue Senior FTS Bonds in an amount not to exceed \$12 billion in outstanding principal and subject to a \$330 million limit on quarterly debt service. Subordinate FTS Bonds outstanding as of June 30, 2011 and 2010 were \$13.87 billion and \$9.28 billion, respectively. Total FTS Bonds outstanding at June 30, 2011 and 2010 was \$19.09 billion and \$15.87 billion, respectively. The Authority includes the escrow funds for the economically defeased bonds in its assets and those funds provide for all future debt service on the economically defeased bonds, which are included in the Authority's bonds payables.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 5 – BONDS PAYABLE (Continued)

In fiscal year 2011 and 2010, the changes in FTS Bonds payable were as follows:

	Outstanding Principal Balance at June 30, 2010	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2011	Total Interest Payments FY 11
	(in thousands)					
Senior FTS Bonds	\$ 6,589,865	\$ (482,490)	\$ (261,255)	\$ (629,945)	\$ 5,216,175	\$ 227,167
Subordinate FTS Bonds:						
Recovery Bonds	1,466,200	-	-	-	1,466,200	7,338
Parity bonds	5,835,190	3,270,450	(115,415)	(25,380)	8,964,845	298,863
Build America Bonds	1,731,240	1,314,405	-	-	3,045,645	122,897
Qualified School Construction Bonds	250,000	147,060	-	-	397,060	15,336
Total Subordinate FTS Bonds	9,282,630	4,731,915	(115,415)	(25,380)	13,873,750	444,434
Total FTS bonds payable	\$ 15,872,495	\$ 4,249,425	\$ (376,670)	\$ (655,325)	\$ 19,089,925	\$ 671,601

	Outstanding Principal Balance at June 30, 2009	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2010	Total Interest Payments FY 10
	(in thousands)					
Senior FTS Bonds	\$ 8,442,425	\$ -	\$ (138,080)	\$ (1,714,480)	\$ 6,589,865	\$ 277,342
Subordinate FTS Bonds:						
Recovery Bonds	1,521,900	81,000	(136,700)	-	1,466,200	5,604
Parity Bonds	2,697,855	3,283,755	(52,095)	(94,325)	5,835,190	224,361
Build America Bonds	-	1,731,240	-	-	1,731,240	10,807
Qualified School Construction Bonds	-	250,000	-	-	250,000	-
Total Subordinate FTS Bonds	4,219,755	5,345,995	(188,795)	(94,325)	9,282,630	240,772
Total FTS bonds payable	\$ 12,662,180	\$ 5,345,995	\$ (326,875)	\$ (1,808,805)	\$ 15,872,495	\$ 518,114

As of June 30, 2011, the interest rates on the Authority's outstanding FTS fixed rate bonds range from 2.00% to 6.00% on tax-exempt bonds and 1.00% to 6.27% on taxable bonds.

The Authority funds its debt service requirements for all FTS Bonds and its administrative expenses from grant money, when available, and personal income taxes collected on its behalf by the State and, under certain circumstances if it were necessary, sales taxes. Sales taxes are only available to the Authority if the amounts of personal income tax revenues fall below statutorily specified debt service coverage levels. No sales tax revenues were received or required during the fiscal years ending June 30, 2011 and 2010. The Authority remits any excess personal income tax not required for its debt service payments and its administrative expenses to the City. The Authority has no taxing power.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 5 – BONDS PAYABLE (Continued)

On June 30, 2011 and 2010, the Authority had \$3.74 billion and \$3.15 billion, respectively, of FTS Bonds variable rate bonds outstanding, consisting of \$.22 billion of Auction Rate Securities (ARSs) and \$3.52 billion and \$2.93 billion, respectively, of Variable Rate Demand Bonds (VRDBs). The interest rate on the ARSs is established weekly by an auction agent at the lowest clearing rate based upon bids received from broker dealers. The interest rate on the ARSs cannot exceed 12%. In fiscal years 2011 and 2010, the interest rate on the ARSs averaged .49% and .79%, respectively. The VRDBs bear a daily rate, a two-day rate or a weekly rate and represent the lowest rate of interest that would cause the adjustable rate bonds to have a market value equal to the principal amount. The rates cannot exceed 9% on tax exempt bonds and 12% on taxable bonds. In fiscal years 2011 and 2010, the VRDB rates averaged .32% and .23%, respectively, on tax exempt bonds and .39% and .36%, respectively, on taxable bonds.

Included in bonds payable on June 30, 2011 and 2010 were \$0 million and \$0.5 million, respectively, of FTS Bonds that were economically defeased on March 24, 2004, and the escrow deposited with the Authority's Trustee is recorded as an asset. These amounts were funded from the proceeds of the sale of Fiscal 2004 Series D FTS Bonds.

On February 1, 2011, the Authority reoffered \$482.49 million of Fiscal 2003 B term bonds as floating rate bonds, thus avoiding the interest rate being converted to 10%. These bonds were subsequently reoffered as fixed rate in August 2011.

On April 25, 2011, the Authority issued \$649.43 million, Fiscal 2011 Series E and F FTS Bonds and together with the premium received of \$64.8 million, current and advanced refunded \$655.33 million of its outstanding FTS Bonds. This refunding resulted in an accounting loss of \$ 37.2 million, which is recorded as deferred bond refunding costs on the statement of net assets (deficit). The Authority in effect reduced the aggregate debt service by \$40.3 million and obtained an economic benefit of \$31.2 million.

On August 27, 2009, the Authority issued \$800 million, Fiscal 2010 Series B FTS Bonds and together with the premium received of \$79.6 million and an equity contribution from current revenue of \$42.9 million, current and advanced refunded \$876.8 million of its outstanding FTS Bonds. This refunding resulted in an accounting loss of \$ 30.8 million, which is recorded as deferred bond refunding costs on the statement of net assets (deficit). The Authority in effect reduced the aggregate debt service by \$65.9 million and obtained an economic benefit of \$56.1 million.

On January 26, 2010, the Authority issued \$500 million, Fiscal 2010 Series D and E FTS Bonds and, together with the premium received of \$47.2 million and an equity contribution from current revenue of \$22.3 million, current and advanced refunded \$523.2 million of its outstanding FTS Bonds. This refunding resulted in an accounting loss of \$30.6 million, which is recorded as deferred bond refunding costs on the statement of net assets (deficit). The Authority in effect reduced the aggregate debt service by \$39.0 million and obtained an economic benefit of \$30.1 million.

On June 4, 2010, the Authority issued \$399.99 million, Fiscal 2010 Series H and I FTS Bonds and together with premium of \$38.87 million and an equity contribution from current revenue of \$6.04 million, current and advanced refunded \$408.9 million of its outstanding FTS Bonds. This refunding resulted in an accounting loss of \$23.3 million, which is recorded as deferred bond refunding costs on the statement of net assets (deficit). The Authority in effect reduced its aggregate debt service by \$32.02 million and obtained an economic benefit of \$25.11 million.

Bonds economically defeased remain a liability and the escrow deposited with the Authority's Trustee is an asset on the Authority's records. The bonds refunded with Defeasance Collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2011 and 2010, the Authority had FTS Bonds refunded with Defeasance Collateral totaling \$7.76 billion and \$7.11 billion, respectively, of which \$1.40 billion and \$1.49 billion, respectively, are still to be paid from the Defeasance Collateral held in the escrow accounts on deposit with the Authority's escrow Trustee.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 5 – BONDS PAYABLE (Continued)

Debt service requirements as of June 30, 2011, for FTS Bonds, including Recovery Bonds, payable to their maturity are as follows:

	<u>SENIOR</u>			<u>SUBORDINATE</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>	<u>Debt Service</u>
	(in thousands)						
Year ended June 30,							
2012	\$ 218,500	228,387	\$ 446,887	\$ 372,425	\$ 550,713	\$ 923,138	\$ 1,370,025
2013	253,545	239,088	492,633	539,325	537,771	1,077,096	1,569,729
2014	211,750	227,205	438,955	581,200	518,279	1,099,479	1,538,434
2015	207,645	216,583	424,228	607,930	496,030	1,103,960	1,528,188
2016	153,560	206,560	360,120	700,135	472,188	1,172,323	1,532,443
2017 to 2021	900,370	890,739	1,791,109	3,676,755	1,971,032	5,647,787	7,438,896
2022 to 2026	1,485,255	593,550	2,078,805	2,752,210	1,420,183	4,172,393	6,251,198
2027 to 2031	1,596,085	189,389	1,785,474	1,867,780	939,972	2,807,752	4,593,226
2032 to 2036	189,465	10,408	199,873	1,684,425	501,839	2,186,264	2,386,137
2037 to 2040	-	-	-	1,091,565	101,389	1,192,954	1,192,954
Total	<u>\$5,216,175</u>	<u>\$2,801,909</u>	<u>\$ 8,018,084</u>	<u>\$13,873,750</u>	<u>\$7,509,396</u>	<u>\$21,383,146</u>	<u>\$29,401,230</u>

(a) Interest on the callable Fiscal 2003 Series A term bonds which would convert to 14%, on the call date, November 1, 2011, if not called, and interest on the callable Fiscal 2003 Series A capital appreciation bonds which would convert to 14% per annum if not called on its call date, November 1, 2011, are computed in this table at the 14% rates, as if those bonds were not called. The variable interest rates used in this table were .32% on tax-exempt bonds, .36% on taxable bonds and .49% on auction bonds, if variable interest is calculated at 5.00% on tax-exempt and 7.00% on taxable per annum (which are the rates utilized for retention), total interest would be increased to \$12.43 billion from the \$10.31 billion in the above table.

In addition to the Authority's authorization to issue FTS Bonds, State legislation enacted in April 2006 enables the Authority to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds, notes or other obligations (BARBs) for purposes of funding costs of the five-year educational facilities capital plan for the City's school system and certain administrative expenditures. As of June 30, 2011 and 2010, the Authority had \$4.73 billion and \$4.22 billion, respectively, of BARBs outstanding.

Under this legislation, the BARBs are payable from the State building aid payable by the State and assigned to the Authority by the City. These State aid payments are subject to annual appropriation from the State. In accordance with the legislation and the Indenture, BARB bond holders do not have any right to the personal income tax revenues or sales tax revenues.

On September 10, 2010, the Authority deposited \$81.33 million of retained building aid into an escrow account with the Authority's Trustee for the payment of \$75.85 million of BARBs due in fiscal year 2013.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 5 – BONDS PAYABLE (Continued)

In fiscal years 2011 and 2010, the changes in BARBs payable were as follows:

	Outstanding Principal Balance at June 30, 2010	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2011	Total Interest Payments FY 11
	(in thousands)					
Tax-exempt Bonds	\$ 4,221,155	\$ 254,250	\$ (65,455)	\$ (75,850)	\$ 4,334,100	\$ 207,838
Build America Bonds	-	295,750	-	-	295,750	-
Qualified School Construction Bonds	-	100,000	-	-	100,000	-
Total BARBs payable	<u>\$ 4,221,155</u>	<u>\$ 650,000</u>	<u>\$ (65,455)</u>	<u>\$ (75,850)</u>	<u>\$ 4,729,850</u>	<u>\$ 207,838</u>

	Outstanding Principal Balance at June 30, 2009	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2010	Total Interest Payments FY 10
	(in thousands)					
Tax-exempt bonds	\$ 4,251,180	\$ -	\$ (30,025)	\$ -	\$ 4,221,155	\$ 194,790
Total BARBs payable	<u>\$ 4,251,180</u>	<u>\$ -</u>	<u>\$ (30,025)</u>	<u>\$ -</u>	<u>\$ 4,221,155</u>	<u>\$ 194,790</u>

As of June 30, 2011, the interest rates on the Authority's outstanding BARBs fixed rate bonds range from 3.00% to 6.00% on tax-exempt bonds and 4.80% to 7.13% on taxable bonds.

Debt service requirements at June 30, 2011, for BARBs payable to maturity are as follows:

	<u>Principal</u>	<u>Interest</u> (in thousands)	<u>Total</u>
Year ended June 30,			
2012	\$ 71,190	\$ 237,420	\$ 308,610
2013	9,880	238,627	248,507
2014	95,505	237,934	333,439
2015	100,390	234,193	334,583
2016	105,700	230,052	335,752
2017 to 2021	605,475	1,074,614	1,680,089
2022 to 2026	749,660	918,417	1,668,077
2027 to 2031	971,775	684,594	1,656,369
2032 to 2036	1,251,230	398,775	1,650,005
2037 to 2041	<u>769,045</u>	<u>79,749</u>	<u>848,794</u>
	<u>\$ 4,729,850</u>	<u>\$ 4,334,375</u>	<u>\$ 9,064,225</u>

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010 (continued)

NOTE 5 – BONDS PAYABLE (Continued)

As of June 30, 2011 and 2010, the Authority maintained its required debt service accounts as follows:

	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>(in thousands)</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Required for FTS	\$ 12,155	\$ 190,488	\$ 37,240	\$ 143,164
Required for BARBs	\$ 71,190	\$ 237,420	\$ 65,455	\$ 209,305

The Authority held approximately \$764.23 million and \$370.52 million in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2011 and 2010, respectively. The Authority held approximately \$277.70 million and \$250.61 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2011 and 2010, respectively.

NOTE 6 – UNRESTRICTED GRANT FROM THE CITY OF NEW YORK

In fiscal years 2011 and 2010, the Authority received unrestricted grants from the City in the amount of \$789.70 million and \$370.52 million, respectively. These funds are used to fund debt service requirements for FTS Bonds and administrative expenses during the fiscal years ending June 30, 2012 and 2011, respectively. The City grant is reported as an assigned fund balance in the governmental balance sheet.

NOTE 7 – ADMINISTRATIVE COSTS

The Authority's management fee, overhead and expenditures related to carrying out the Authority's duties, including remarketing and liquidity fees not funded from bond proceeds or investment earnings, are funded from the personal income taxes, building aid revenue and grant revenue.

NOTE 8 – SUBSEQUENT EVENTS

On August 23, 2011, the Authority issued \$450 million, Fiscal 2012 Series A FTS Bonds; the tax exempt proceeds were used to refund prior outstanding bonds. The Authority also reoffered \$596.1 million of FTS and \$74.6 million of FTS recovery bonds.

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VARIABLE RATE BONDS

<u>Series #</u>	<u>Outstanding Principal Amount</u>	<u>Provider</u>	<u>Facility Type</u>	<u>Expiration or Optional Termination by Provider</u>
1998C	\$ 100,000,000	Morgan Stanley Bank, N.A.	LOC *	May 2, 2014
1999A-1	115,300,000	Portigon AG**	SBPA ***	December 18, 2012
1999A-1	23,500,000	JPMorgan Chase Bank, N.A.	SBPA	November 24, 2014
1999A-2	25,100,000	JPMorgan Chase Bank, N.A.	SBPA	November 24, 2014
1999A-2	113,600,000	Bank of Nova Scotia	SBPA	November 4, 2013
1999B-3	50,000,000	JPMorgan Chase Bank, N.A.	SBPA	October 29, 2014
2001A	100,000,000	JPMorgan Chase Bank, N.A.	SBPA	October 29, 2014
2001B	100,000,000	Landesbank Baden-Württemberg	SBPA	March 6, 2014
2001C	100,000,000	Landesbank Baden-Württemberg	SBPA	April 10, 2014
		Landesbank Hessen-Thüringen		
2003-1A	90,500,000	Girozentrale	SBPA	December 15, 2015
2003-1C	67,000,000	JPMorgan Chase Bank, N.A.	SBPA	July 11, 2015
		Landesbank Hessen-Thüringen		
2003-1D	53,700,000	Girozentrale	SBPA	December 15, 2015
2003-1E	36,000,000	BayernLB	SBPA	November 30, 2015
2003-2A	83,200,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-2B	49,900,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-2C	39,900,000	Lloyds TSB Bank PLC	SBPA	August 1, 2013
2003-2D	93,200,000	Lloyds TSB Bank PLC	SBPA	August 1, 2013
2003-2E	49,000,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-2F	30,700,000	BayernLB	SBPA	November 30, 2015
2003-3B2	107,000,000	Wells Fargo Bank, N.A.	SBPA	November 30, 2012
2003-3C	82,400,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-3D	93,600,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-3E	113,300,000	Landesbank Baden-Württemberg	SBPA	July 14, 2015
2003-3F	62,700,000	Royal Bank of Canada	SBPA	July 14, 2015
2003-3G	96,200,000	Bank of New York Mellon	SBPA	August 1, 2015
2003-3H	79,800,000	Royal Bank of Canada	SBPA	July 14, 2015
2003A-2	175,000,000	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	LOC	October 31, 2014
2003A-3	25,000,000	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	LOC	October 31, 2014
2003A-4	100,000,000	TD Bank, N.A.	SBPA	October 15, 2014
		Landesbank Hessen-Thüringen		
2003C-2	37,500,000	Girozentrale	SBPA	December 15, 2015
2003C-3	37,500,000	Dexia Crédit Local	SBPA	November 1, 2022
		Landesbank Hessen-Thüringen		
2003C-4	37,500,000	Girozentrale	SBPA	December 15, 2015
2003C-5	37,500,000	Bank of America, N.A.	SBPA	November 30, 2014
2007A-3	100,000,000	Dexia Crédit Local	SBPA	October 16, 2018
2010F-5	148,500,000	Sumitomo Mitsui Banking Corporation	LOC	March 1, 2013
2010G-5	150,000,000	Barclays Bank PLC	SBPA	June 4, 2013
	<u>\$2,804,100,000</u>			

* Letter of Credit.

** WestLB AG changed its name to Portigon AG effective July 1, 2012.

*** Standby Bond Purchase Agreement.

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BONDS TO BE REDEEMED

The Authority expects to redeem Bonds, at or prior to maturity, by applying the proceeds of the Refunding Bonds, with other funds of the Authority, to provide for, at or prior to maturity, the payment of the principal of and interest and redemption premium, if any, on such Bonds (the “Refunded Bonds”) to the extent and to the payment dates set forth below. The refunding is contingent upon the delivery of the Refunding Bonds.

Refunded Bonds that are to be paid at maturity which are redeemable by their terms, if any, may be called for redemption at the option of the Authority if the escrow account is hereafter restructured to provide for their redemption. Any such restructuring must preserve (a) the sufficiency of the escrow account to pay the principal, interest to maturity or redemption, and any redemption premium on all the Refunded Bonds and (b) the exclusion from the gross income for federal income tax purposes of interest on the Refunding Bonds and the Refunded Bonds.

The Refunded Bonds are being provided for in whole or in part as indicated in the footnotes hereto.

Series	Dated Date	Maturities	Interest Rate	Payment Date	Amount
1999A	July 11, 2002*	November 15, 2026	5.000%	November 15, 2012	\$47,925,000 ^{(p)(t)}
1999B	July 11, 2002*	November 1, 2027	5.000	November 1, 2012	50,340,000 ^{(p)(t)}
2002B	November 14, 2001	May 1, 2031	5.000	November 1, 2012	24,065,000 ^(a)
2003A	July 2, 2002	November 1, 2013	4.250	November 1, 2012	4,885,000 ^(a)
2003A		November 1, 2013	5.500	November 1, 2012	28,170,000 ^(p)
2003A		November 1, 2014	4.375	November 1, 2012	3,675,000 ^(p)
2003A		November 1, 2014	5.500	November 1, 2012	31,205,000 ^(p)
2003B	August 28, 2002	February 1, 2014	4.100	September 27, 2012	3,595,000 ^(p)
2003B		February 1, 2014	5.375	September 27, 2012	22,220,000 ^(p)
2003B		February 1, 2015	5.375	September 27, 2012	20,655,000 ^(a)
2003D	February 20, 2003	February 1, 2022	4.700	February 1, 2013	4,355,000 ^(a)
2003D		February 1, 2023	4.875	February 1, 2013	4,575,000 ^(a)
2003D		February 1, 2024	4.900	February 1, 2013	6,185,000 ^(a)
2003D		February 1, 2027	5.000	February 1, 2013	55,500,000 ^{(p)(t)}
2003D		February 1, 2031	5.000	February 1, 2013	80,805,000 ^{(p)(t)}
2003E	April 10, 2003	February 1, 2022	4.500	February 1, 2013	3,640,000 ^(a)
2003E		February 1, 2023	5.000	February 1, 2013	8,400,000 ^(p)
2003E		February 1, 2024	5.000	February 1, 2013	9,635,000 ^(p)
2003E		February 1, 2025	5.000	February 1, 2013	10,050,000 ^(a)
2003E		February 1, 2026	5.000	February 1, 2013	4,070,000 ^(p)
2003E		February 1, 2027	5.000	February 1, 2013	3,330,000 ^(p)
2003E		February 1, 2033	5.000	February 1, 2013	58,345,000 ^{(p)(t)}
2004A	September 4, 2003	August 1, 2022	5.000	August 1, 2013	1,135,000 ^(a)
2004A		August 1, 2023	5.000	August 1, 2013	6,620,000 ^(a)
2004A		August 1, 2024	5.000	August 1, 2013	6,950,000 ^(a)
2004A		August 1, 2025	5.000	August 1, 2013	5,040,000 ^(a)
2004A		August 1, 2031	5.250	August 1, 2013	6,810,000 ^{(a)(t)}
2004A		August 1, 2033	5.125	August 1, 2013	14,590,000 ^{(a)(t)}
2004B	November 3, 2003	August 1, 2022	4.700	August 1, 2013	1,270,000 ^(a)
2004B		August 1, 2022	5.000	August 1, 2013	16,215,000 ^(a)
2004B		August 1, 2023	4.750	August 1, 2013	1,950,000 ^(p)
2004B		August 1, 2023	5.000	August 1, 2013	21,875,000 ^(a)
2004B		August 1, 2024	5.000	August 1, 2013	27,510,000 ^(a)
2004B		August 1, 2025	5.000	August 1, 2013	18,760,000 ^(a)
2004B		August 1, 2032	5.000	August 1, 2013	59,070,000 ^{(p)(t)}
2004C	February 5, 2004	February 1, 2014	3.400	February 1, 2014	2,560,000 ^(a)
2004C		February 1, 2014	5.250	February 1, 2014	3,625,000 ^(p)
2004C		February 1, 2016	3.700	February 1, 2014	10,000 ^(a)
2004C		February 1, 2017	5.250	February 1, 2014	550,000 ^(p)
2004C		February 1, 2021	5.000	February 1, 2014	5,250,000 ^(p)
2004C		February 1, 2022	5.000	February 1, 2014	20,545,000 ^(p)
2004C		February 1, 2033	5.000	February 1, 2014	23,105,000 ^{(p)(t)}
2007A	October 16, 2006	August 1, 2014	4.000	August 1, 2014	15,000,000 ^(a)
2007A		August 1, 2014	5.250	August 1, 2014	21,430,000 ^(p)
2007A		August 1, 2019	5.000	August 1, 2016	40,945,000 ^(p)
2007A		August 1, 2020	5.000	August 1, 2016	41,060,000 ^(p)

Series	Dated Date	Maturities	Interest Rate	Payment Date	Amount
2007A	February 22, 2007	August 1, 2021	5.000%	August 1, 2016	\$28,350,000 ^(p)
2007B		November 1, 2013	5.000	November 1, 2013	5,935,000 ^(p)
2007B		November 1, 2015	5.000	November 1, 2015	6,480,000 ^(p)
2007B		November 1, 2016	5.000	November 1, 2016	9,985,000 ^(p)
2007B		November 1, 2017	4.000	May 1, 2017	3,240,000 ^(p)
2007B	April 2, 2009	November 1, 2017	5.000	May 1, 2017	26,025,000 ^(p)
2007B		November 1, 2020	5.000	May 1, 2017	7,610,000 ^(p)
2009A		November 1, 2013	4.000	November 1, 2013	1,235,000 ^(p)
2009A		November 1, 2013	5.000	November 1, 2013	10,905,000 ^(p)
2009A		November 1, 2015	3.500	November 1, 2015	6,335,000 ^(a)
2009A	April 2, 2009	November 1, 2015	5.000	November 1, 2015	7,960,000 ^(p)
2009A		November 1, 2016	4.000	November 1, 2016	1,975,000 ^(p)
2009A		November 1, 2017	4.000	November 1, 2017	2,635,000 ^(a)
2009A		November 1, 2017	5.000	November 1, 2017	9,300,000 ^(p)
2009B		November 1, 2013	4.000	November 1, 2013	1,510,000 ^(p)
2009B	August 27, 2009	November 1, 2015	3.500	November 1, 2015	650,000 ^(p)
2009B		November 1, 2016	3.500	November 1, 2016	1,810,000 ^(p)
2010B		November 1, 2013	3.000	November 1, 2013	2,170,000 ^(p)
2010B		November 1, 2013	5.000	November 1, 2013	12,380,000 ^(p)
2010B		November 1, 2015	2.500	November 1, 2015	4,730,000 ^(p)
2010B	January 26, 2010	November 1, 2015	5.000	November 1, 2015	6,860,000 ^(p)
2010B		November 1, 2016	2.600	November 1, 2016	4,255,000 ^(p)
2010B		November 1, 2016	5.000	November 1, 2016	18,655,000 ^(p)
2010D		November 1, 2013	5.000	November 1, 2013	5,120,000 ^(p)
2010D		November 1, 2015	5.000	November 1, 2015	3,520,000 ^(p)
2010D	January 26, 2010	November 1, 2016	3.000	November 1, 2016	1,055,000 ^(a)
2010D		November 1, 2016	4.250	November 1, 2016	400,000 ^(p)
2010E		November 1, 2013	3.000	November 1, 2013	1,065,000 ^(p)
2010E		November 1, 2015	3.000	November 1, 2015	2,370,000 ^(p)
2010H		November 1, 2013	2.000	November 1, 2013	490,000 ^(p)
2010H	June 4, 2010	November 1, 2015	2.500	November 1, 2015	485,000 ^(p)
2010I		November 1, 2015	4.000	November 1, 2015	665,000 ^(p)
2010I		November 1, 2015	5.000	November 1, 2015	1,610,000 ^(p)
2010I		November 1, 2016	2.500	November 1, 2016	485,000 ^(p)
2010I		November 1, 2016	4.000	November 1, 2016	775,000 ^(p)
2010I	January 20, 2011	November 1, 2016	5.000	November 1, 2016	1,500,000 ^(p)
2011C		November 1, 2013	2.500	November 1, 2013	8,285,000 ^(a)
2011C		November 1, 2013	5.000	November 1, 2013	6,165,000 ^(a)

* Reoffering Date.

(p) The amount shown is being defeased and is a portion of the Outstanding Bonds of this description.

(a) The amount shown is being defeased and is all of the Outstanding Bonds of this description, except those, if any, that have been previously defeased.

(t) The defeased bonds will be credited against the redemption dates below.

Fiscal 1999 Series A, Term Bond Due 2026

<u>November 15,</u>	<u>Amount</u>
2025	\$ 28,975,000
2026	18,950,000

Fiscal 1999 Series B, Term Bond Due 2026

<u>November 1,</u>	<u>Amount</u>
2026	\$ 24,555,000
2027	25,785,000

Fiscal 2003 Series D, Term Bond Due 2027

<u>February 1,</u>	<u>Amount</u>
2025	\$ 10,900,000
2026	29,240,000
2027	15,360,000

Fiscal 2003 Series D, Term Bond Due 2031

<u>February 1,</u>	<u>Amount</u>
2028	\$ 33,885,000
2029	22,310,000
2030	16,355,000
2031	8,255,000

Fiscal 2003 Series E, Term Bond Due 2033

<u>February 1,</u>	<u>Amount</u>
2029	\$ 15,020,000
2030	13,945,000
2031	4,150,000
2032	12,305,000
2033	12,925,000

Fiscal 2004 Series A, Term Bond Due 2031

<u>August 1,</u>	<u>Amount</u>
2029	\$ 45,000
2031	6,765,000

Fiscal 2004 Series A, Term Bond Due 2033

<u>August 1,</u>	<u>Amount</u>
2032	\$ 7,110,000
2033	7,480,000

Fiscal 2004 Series B, Term Bond Due 2032

<u>August 1,</u>	<u>Amount</u>
2029	\$ 6,320,000
2030	13,310,000
2031	15,510,000
2032	23,930,000

Fiscal 2004 Series C, Term Bond Due 2033

<u>February 1,</u>	<u>Amount</u>
2033	\$23,105,000

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SCHOOLS FINANCED WITH QUALIFIED SCHOOL CONSTRUCTION BONDS

The proceeds of the Qualified School Construction Bonds will be used to finance School Projects at some or all of the following schools:

<u>Borough</u>	<u>Name</u>	<u>Address</u>	<u>Census Tract</u>
Bronx	Ampark Neighborhood School	3961 Hillman Avenue	281
Bronx	Eagle Academy HS	4143 3rd Avenue	375
Bronx	Morris Heights Educational Com	1780 Dr. Martin Luther King Jr. Boulevard	215
Bronx	PS 94 Annex	268 East 211th Street	431
Bronx	PS/IS 79 Addition	125 East 181st Street	237
Bronx	Settlement Housing PS/IS/HS	1501 Jerome Avenue	217
Bronx	IS 285	1065 Dr. Martin Luther King Jr. Boulevard	193
Bronx	PS 292	800 Lydig Avenue	228
Bronx	PS/IS 177	3177 Webster Avenue	425
Brooklyn	IS 259 Addition	7305 Fort Hamilton Parkway	206
Brooklyn	IS/HS @ Spring Creek	1065 Elton Street	1070
Brooklyn	PS 133	610 Baltic Street	129
Brooklyn	PS 160 Annex	1057 52nd Street	220
Brooklyn	PS 264	371 89th Street	60
Brooklyn	PS 8 Addition	37 Hicks Street	1
Brooklyn	PS 971	6214 4th Avenue	72
Brooklyn	PS/IS 163	109 Bay 14th Street	180
Brooklyn	PS 310	942 62nd Street	120
Brooklyn	PS 331	7002 4th Avenue	68
Brooklyn	PS/IS 437	701 Caton Avenue	504
Manhattan	Community Health Academy (CLOTH)	504 West 158th Street	241
Manhattan	PS/IS 263	202 Sherman Avenue	293
Manhattan	PS 51	515-566 West 44th Street	129
Manhattan	PS/IS 281	425 East 35th Street	86
Manhattan	Beacon HS	521 West 43rd Street	121
Manhattan	IS/HS 868	10 East 15th Street	52
Manhattan	PS 340	590 6 th Avenue	54
Queens	HS 585	54-40 74th Street	493
Queens	Metropolitan Avenue Campus	91-30 Metropolitan Avenue	645
Queens	PS 13 Addition	55-01 94th Street	457
Queens	PS 196 Addition	71-25 113th Street	757
Queens	PS 273	88-07 102nd Street	28
Queens	PS 42 Addition	488 Beach 66th Street	964
Queens	PS/IS 277	153-27 88th Avenue	236
Queens	Queens Gateway to Health Science	160-20 Goethals Avenue	1267
Queens	The William Wordsworth Education	155 -02 108th Avenue	252
Queens	IS/HS 404	1-50 51st Avenue	7
Queens	PS 29 Addition	125-10 23rd Avenue	907
Queens	Middle College HS @ LaGuardia	45-35 Van Dam Street	179
Queens	PS/IS 312	46-08 5th Street	1
Queens	IS 297	74-03 34th Avenue	289
Queens	PS 287	110-08 Northern Boulevard	381
Queens	PS 290	55-20 Metropolitan Avenue	595
Queens	PS 313	45-46 42nd Street	181
Queens	PS 315	96-18 43rd Avenue	465
Queens	PS 316	90-01 101st Avenue	38
Queens	PS 70 Addition	30-45 42th Street	149
Queens	PS 87 Addition	67-54 80th Street	621
Queens	PS/IS 314	88-08 164th Street	446.02
Staten Island	PS 71	1050 Targee Street	29
Staten Island	PS 62	644 Bloomingdale Road	226

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PROPOSED FORM OF BOND COUNSEL OPINION

August 28, 2012

New York City Transitional Finance Authority

We have acted as bond counsel to the New York City Transitional Finance Authority (the “Authority”), a public benefit corporation organized under the laws of the State of New York (the “State”), in the Authority’s issuance of its Future Tax Secured Subordinate Bonds, Fiscal 2013 Subseries A-1, A-2 (Qualified School Construction Bonds) and A-3, and Fiscal 2013 Series B (collectively, the “New Bonds”). The New Bonds are being issued pursuant to Chapter 16, Laws of New York, 1997, as amended (the “Act”), to the Amended and Restated Original Indenture, as restated December 1, 2010, and as supplemented (the “Indenture”), between the Authority and The Bank of New York Mellon, as Trustee, and to a Financing Agreement dated October 1, 1997, as amended (the “Agreement”), between the Authority and The City of New York (the “City”). Terms not defined herein are used as defined in the Indenture. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

The New Bonds are dated, bear interest, mature, and are subject to redemption and are secured as set forth in the Indenture. The New Bonds are Subordinate Bonds and Parity Debt payable from the Tax Revenues on a parity with the Authority’s Recovery Obligations and other Parity Debt. The Authority is authorized to issue additional bonds (together with such bonds heretofore issued and the New Bonds, the “Bonds”) on the terms and conditions set forth in the Indenture and all such Bonds shall be entitled to the benefit, protection and security of the Indenture in the order of priority set forth therein.

In rendering the opinions set forth herein, we reviewed certificates of the Authority and the City and such other agreements, documents and matters to the extent we deemed necessary to render our opinions. We have not undertaken an independent audit or investigation of the matters described or contained in the foregoing certificates, agreements and documents. We have assumed, without undertaking to verify, the genuineness of all documents and signatures presented to us; the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City; and the accuracy of the factual matters represented, warranted or certified therein.

Based on the foregoing and our examination of existing law, we are of the opinion that:

1. The Authority is a public benefit corporation duly organized and existing under the laws of the State, and is authorized under the laws of the State, particularly the Act, to enter into the Indenture and the Agreement and to issue the New Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid in all respects material to the security and sources of payment for the New Bonds.

2. The New Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding obligations of the Authority payable from the Tax Revenues pledged and the other collateral provided therefor in the Indenture. The Bonds do not constitute a debt of the State or the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority.

3. The Act validly provides for (a) the payment to the Authority (i) of the taxes so payable pursuant to § 1313 of the Tax Law (the “Personal Income Taxes”), and (ii) to the extent specified in the Act, of sales and compensating use taxes that the City is authorized by the State to impose and taxes imposed by the State pursuant to § 1107 of the Tax Law (the “Alternate Revenues,” and to the extent so payable, with the Personal Income Taxes and such other revenues, if any, as the Authority may derive directly from the State from taxes imposed by the City or the State and collected by the State, the “Tax Revenues”), (b) the Authority’s pledge to the Trustee of the Tax Revenues and all aid, rents, fees, charges, payments and other income and receipts paid or payable to the Authority or the Trustee (the “Revenues”), and (c) the application of proceeds of the Bonds to purposes of the City.

4. The Personal Income Taxes are subject neither to appropriation by the City or the State, nor to prior claims in favor of other obligations or purposes of the City or the State except as specified in §1313 of the Tax Law with respect to overpayments and the State's reasonable costs in administering, collecting and distributing such taxes. Alternative Revenues consisting of sales and compensating use taxes imposed by the City, if payable to the Authority pursuant to the Act, are not subject to appropriation by the City or the State. Upon any failure of the State Legislature to make required appropriations for State debt obligations, the 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 Tax 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 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 § 1313 of the Tax Law, 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.

6. The lien of the Indenture on the Tax Revenues for the security of the Senior Bonds and other instruments to the extent specified in the Indenture is, and pursuant to the covenant of the Authority in the Indenture will be, prior to all other liens thereon. The pledge of Tax 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.

7. The Agreement has been duly and lawfully authorized, executed and delivered by the Authority and the City pursuant to the Act, and is a valid and binding agreement of each of them.

8. The Authority is not eligible for protection from its creditors pursuant to Title 11 (the "Bankruptcy Code") of the United States Code. If the debts of the City were adjusted under the Bankruptcy Code, and the City or its creditors asserted a right to the Tax Revenues superior or equal to the rights of the holders of the Bonds, such assertion would not succeed.

9. 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 New Bonds. The adoption and compliance with all of the terms and conditions of the Indenture and the New Bonds, and the execution and delivery of the New Bonds, will not result in a violation of or be in conflict with any existing law.

10. Interest on the New Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

11. Assuming compliance by the Authority and the City with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), interest on the New Bonds of Subseries A-1 and Series B (collectively, the "Tax-Exempt Bonds") will not be included in the gross income of the owners thereof for purposes of federal income taxation. The Authority and the City have covenanted to comply with such provisions of the Tax Code. Failure by the Authority or the City to comply with such provisions may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof retroactive to the date of the issue of the Tax-Exempt Bonds. Further, we render no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action taken or not taken after the date of this opinion without our approval.

12. Interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal individual or corporate alternative minimum tax; however, interest on the Tax-Exempt Bonds owned by a corporation will be included in the calculation of the corporation's alternative minimum tax liability under the Tax Code.

13. The excess, if any, of the amount payable at maturity of any maturity of the Tax-Exempt Bonds over the initial offering price of such bonds to the public at which price a substantial amount of such maturity is sold represents original issue discount, which is excluded from gross income for federal income tax purposes to the same

extent as interest on the Tax-Exempt Bonds. The Tax Code provides that such original issue discount excluded as interest accrues in accordance with a constant yield method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of the Tax-Exempt Bonds with original issued discount will be increased by the amount of such accrued interest.

The rights of the holders of the Bonds 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.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

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\$1,400,000,000

**New York City Transitional
Finance Authority**

Future Tax Secured Bonds

\$450,000,000 Fiscal 2013 Series A

\$100,000,000 Subseries A-1

Tax-Exempt Subordinate Bonds

\$150,000,000 Subseries A-2

Taxable Subordinate Bonds

(Qualified School Construction Bonds)

\$200,000,000 Subseries A-3

Taxable Subordinate Bonds

Future Tax Secured

Tax-Exempt Subordinate Bonds

\$950,000,000 Fiscal 2013 Series B

OFFERING CIRCULAR

August 9, 2012