

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: OTHER INFORMATION—TAX MATTERS" herein for further information.



\$100,000,000
New York City Transitional Finance Authority
Future Tax Secured Bonds
Fiscal 2007 Series A
Subseries A-3 Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

Dated: Date of Delivery

Due: As shown on inside cover

The Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2007 Subseries A-3 (the "Adjustable Rate Bonds") are being issued by the New York City Transitional Finance Authority (the "Authority") pursuant to Chapter 16 of the Laws of 1997 of the State of New York, as amended (the "Act"), and an Indenture, dated as of October 1, 1997, as amended and supplemented (the "Indenture"), by and between the Authority and The Bank of New York, New York, New York, as trustee (the "Trustee").

The Adjustable Rate Bonds will be issued as Parity Debt (defined herein). Interest on and principal of the Adjustable Rate Bonds are payable from Revenues of the Authority subordinate to Senior Debt Service and operating expenses of the Authority. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" included herein 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 II: THE ADJUSTABLE RATE BONDS—OTHER SERIES."

Pursuant to the Act, the Adjustable Rate Bonds are payable from the Revenues of the Authority derived primarily from collections of personal income taxes imposed by the City and of sales and compensating use taxes imposed within the City. Such taxes are imposed pursuant to statutes enacted by the State. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" included herein by specific reference.

The Adjustable Rate Bonds will be issued only as fully registered bonds, and registered in the nominee name of The Depository Trust Company. Purchases of beneficial interests in the Adjustable Rate Bonds will be made in book-entry form in denominations of \$100,000 principal amount or multiples of \$5,000 in excess thereof. Purchasers will not be entitled to receive physical delivery of the Adjustable Rate Bonds. Other terms of the Adjustable Rate Bonds including interest rate modes, interest payment dates, mandatory and optional redemption and tender provisions are described herein.

Payment of the Purchase Price on the Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the Liquidity Facility described herein provided by Dexia Credit Local, acting through its New York Branch (the "Bank").

**THE ADJUSTABLE RATE BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A LIEN ON
THE REVENUES OF THE AUTHORITY AND THE 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 THOSE OF THE AUTHORITY.**

The Adjustable Rate Bonds are being offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, 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 Underwriter 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 October 16, 2006.

Merrill Lynch & Co.
Underwriter and Remarketing Agent for
the Adjustable Rate Bonds

October 5, 2006

\$100,000,000
New York City Transitional Finance Authority
Future Tax Secured Bonds
Fiscal 2007 Series A
Subseries A-3 Tax-Exempt Subordinate Bonds⁽¹⁾
(Adjustable Rate Bonds)

<u>Maturity</u>	<u>Principal Amount</u>	<u>Price</u>
August 1, 2022	\$32,000,000	100%
August 1, 2023	\$68,000,000	100

⁽¹⁾ Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Remarketing Agent for the Adjustable Rate Bonds, which will bear interest at an Initial Rate, converting (without notice or mandatory tender) on Wednesday, October 18, 2006, to a Weekly Rate, supported by a Liquidity Facility provided by Dexia Credit Local, acting through its New York Branch, which is scheduled to terminate on October 16, 2018.

**RATE PERIOD TABLE
FOR ADJUSTABLE RATE BONDS**

	DAILY RATE	WEEKLY RATE	CP RATE	TERM RATE	FIXED RATE OR STEPPED COUPONS
Interest Payment Date	First Business Day of each February and August	First Business Day of each February and August	(1) If Rate Period is six months or less, the Business Day next succeeding the last day of the Rate Period and (2) if Rate Period is more than six months, (i) the Business Day next succeeding the last day of the Rate Period and (ii) the first Business Day of the sixth month of the Rate Period	February 1 and August 1 of each year and the Business Day following the last day of the Rate Period or as specified by the Authority	February 1 and August 1 of each year
Record Date	The close of business on the Business Day preceding an Interest Payment Date	The close of business on the Business Day preceding an Interest Payment Date	The close of business on the Business Day preceding an Interest Payment Date	The fifteenth day of the calendar month immediately preceding an Interest Payment Date	The fifteenth day of the calendar month immediately preceding an Interest Payment Date
Rate Determination Date	Not later than 10:00 a.m. on each Business Day	Not later than 10:00 a.m. on the commencement date of each Rate Period	Not later than 12:30 p.m. on the first day of each CP Rate Period	Not later than 10:00 a.m. on the commencement date of each Rate Period	Not later than the Conversion Date
Rate Periods	Commencing on one Business Day extending to, but not including, the next succeeding Business Day	The Rate Period* will be a period of generally seven days beginning on the day of the week specified therefor	A period of 1 to 270 days	Commencing on a Conversion Date or a date immediately following a Term Rate Period and ending as specified by the City	Commencing on the Conversion Date extending to the date of conversion, redemption or maturity
Notice Period for Optional Tenders	Notice not later than 11:00 a.m. on the Purchase Date	Notice by 5:00 p.m. not less than seven days prior to the Purchase Date	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Purchase Date	On any Business Day not later than 2:15 p.m.	On any Business Day not later than 2:15 p.m.	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Payment Date for Bonds subject to Optional Tender	Not later than 3:00 p.m. on the Purchase Date	Not later than 3:00 p.m. on the Purchase Date	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
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	Not later than 3:00 p.m. on the Mandatory Tender Date	Not later than 3:00 p.m. on a Conversion Date on which an optional redemption could occur

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” for a description of the Adjustable Rate Bonds.

* The Weekly Rate Period with respect to the Adjustable Rate Bonds will commence on a Wednesday and will extend to and include the next succeeding Tuesday.

WHILE THE ADJUSTABLE RATE BONDS MAY IN THE FUTURE BE CONVERTED TO AUCTION RATES, THIS OFFERING CIRCULAR DOES NOT DESCRIBE THE AUCTION PROCEDURES OR OTHER TERMS SPECIFICALLY APPLICABLE TO BONDS BEARING AUCTION RATES, NOR DOES IT DESCRIBE ADJUSTABLE RATE BONDS HELD BY A LIQUIDITY PROVIDER OR BY ANY REGISTERED OWNER OTHER THAN DTC.

The information in this Offering Circular has been provided by the Authority, the City, the Bank, 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 Underwriter 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 information in Appendix B has been provided by the Bank and has not been independently confirmed or verified by the Underwriter or the Authority. 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, or that such information incorporated herein by reference is correct as of any time subsequent to its date.

This Offering Circular contains 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 Statutory 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 Underwriter 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE ADJUSTABLE 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.

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

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 \$100,000,000 aggregate principal amount of Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2007 Subseries A-3 (the “Adjustable Rate Bonds”). The Adjustable Rate Bonds, together with the \$500,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2007 Subseries A-1 and the \$200,000,000 Future Tax Secured Taxable Subordinate Bonds, Fiscal 2007 Subseries A-2, not offered hereby, are herein collectively called the “Series 2007 A Bonds.” 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 Chapter 16 of the Laws of 1997 (as amended, the “Act”). Capitalized terms not otherwise defined in this Offering Circular are defined in “Appendix A—Definitions.”

INTRODUCTORY STATEMENT

The Adjustable Rate Bonds are being issued pursuant to the Act and an Indenture, dated as of October 1, 1997, as amended and supplemented (the “Indenture”) by and between the Authority and The Bank of New York, 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, providing for the application of Bond proceeds to fund City capital expenditures and Recovery Costs (as defined in the Indenture).

The Adjustable Rate Bonds are payable from the Revenues of the Authority which consist primarily of Personal Income Tax Revenues and Sales Tax Revenues (each as defined herein). See “SOURCES OF PAYMENT AND SECURITY FOR THE 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 Offering Circular, dated September 28, 2006, delivered herewith relating to the fixed rate portion of the Series 2007 A 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 BONDS
SECTION III:	ECONOMIC AND DEMOGRAPHIC INFORMATION
SECTION IV:	THE BONDS - Debt Service Requirements
SECTION V:	THE AUTHORITY
SECTION VI:	LITIGATION
SECTION IX:	APPROVAL OF LEGALITY
SECTION X:	FINANCIAL ADVISORS
SECTION XI:	FINANCIAL STATEMENTS
SECTION XIV:	LEGAL INVESTMENT
SECTION XV:	MISCELLANEOUS
APPENDIX A:	SUMMARY OF INDENTURE AND AGREEMENT
APPENDIX B:	FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SECTION II: THE ADJUSTABLE RATE BONDS

General

The Adjustable Rate Bonds (i) bearing a CP Rate, a Daily 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, (ii) bearing a Term Rate or a Fixed Rate and Stepped-Coupon Bonds, shall be fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and (iii) bearing Auction Rates shall be fully registered bonds in the denomination of \$25,000 or any integral multiple thereof (in each case, an “Authorized Denomination”). The Adjustable Rate Bonds shall bear interest from their date of issuance as described on the inside cover page hereof and as described below in “Interest on 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. Upon direction of the Authority, all or a portion of the Adjustable Rate Bonds may be Converted on: if from Stepped-Coupon Bonds or a Fixed Rate, an Optional Redemption Date; if from a Daily or Weekly Rate Period, a regularly scheduled Interest Payment Date; if from a Term Rate Period, only on a date on which a new Term Rate Period would have commenced; and if from the CP Mode, only on a regularly scheduled Mandatory Tender Date for all Adjustable Rate Bonds to be Converted which is at least 30 days after notice of mandatory tender upon Conversion is given to Bondholders.

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.

Other Series

The Authority expects to issue \$2 billion of Future Tax Secured Bonds inclusive of the Series 2007 A Bonds for general capital purposes of the City in the Authority’s 2007 fiscal year. In addition, the Authority expects that it will issue other Bonds and Notes for refunding purposes from time to time. Furthermore, the City expects to seek legislation annually amending the Act to increase the statutory cap on the Authority’s bonds for general City capital purposes, and if such cap is increased, the Authority expects to issue such bonds from time to time.

The Bonds and Notes of the Authority may be issued only: (i) as Senior Bonds (or Notes in anticipation thereof) (x) to pay or reimburse Project Capital Costs, but (I) not to exceed \$12 billion in issuance amount, measured by proceeds to the Authority, and (II) subject to a \$330 million limit on Quarterly Debt Service to be payable, or (y) to refund or renew such Bonds or Notes, 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 unless the amount of collections of Statutory 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 the Series of Bonds proposed to be issued, for each fiscal year Bonds will be Outstanding. See “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT” included herein by specific reference.

Other Series of Subordinate Bonds (or notes in anticipation thereof) may be issued, provided that collections of Statutory 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 Parity Debt, together with the Series proposed to be issued, as estimated in accordance with the Indenture.

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"). The School Financing Act authorizes the Authority to issue bonds, notes or other obligations in an amount outstanding of up to \$9.4 billion to finance a portion of the City's educational facilities capital plan 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"). Pursuant to the School Financing Act, the City expects to assign all State Building Aid to the Authority and the Authority expects to create a new category of Subordinate Bonds (the "State Building Aid Appropriation Bonds"), secured by State Building Aid to finance educational facilities in the City. The State Building Aid Appropriation Bonds are not expected to be secured by Statutory Revenues. The Authority expects to issue the initial series of the State Building Aid Appropriation Bonds prior to the end of the 2006 calendar year.

Interest on Adjustable Rate Bonds

The Indenture as supplemented authorizes the issuance of Adjustable Rate Bonds and Auction Rate Bonds (collectively, the "Multi-Modal Bonds"). Interest for any Rate Period shall accrue from and including the commencement date of such Rate Period through and including the last day thereof. Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his or her address as it appears on the registration books as of the close of business on the appropriate Record Date; provided, that (i) while a securities depository is the registered owner of all the Multi-Modal Bonds, all payments of principal of and interest on such Bonds shall be paid to the securities depository or its nominee by wire transfer, (ii) prior to and including the Fixed Rate Conversion Date, interest on the Multi-Modal Bonds shall be payable to any registered owner of at least \$1,000,000 aggregate principal amount of Multi-Modal Bonds by wire transfer, upon written notice received by the Paying Agent at least five days prior to the Record Date from such registered owner containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed and (iii) following a CP Rate Period, interest shall be payable on the Bonds only upon presentation thereof to the Tender Agent upon purchase thereof and if such presentation is made by 10:00 a.m. such payment shall be by wire transfer. Interest Payment Dates for Adjustable Rate Bonds shall be with respect to (i) any Daily Rate Period, any Weekly Rate Period, or in any case not specified, the first Business Day of each February and August, (ii) any CP Period of six months or less, the Business Day following the last day of the Rate Period, (iii) any CP Period exceeding six months, the Business Day following the last day of the Rate Period and the first Business Day of the sixth month, (iv) any Term Rate Period, each February 1 and August 1 and the Business Day following the last day of the Rate Period, or as specified by the Authority, or (v) the Fixed Rate Period, or for Stepped-Coupon Bonds, February 1 and August 1 of each year, commencing as determined by the Authority. With respect to all Adjustable Rate Bonds, interest shall be payable on each mandatory tender date, redemption date or maturity date.

Computations of interest shall be based on 365-day or 366-day years for the actual number of days elapsed; except that (i) interest accruing on Stepped-Coupon Bonds or at Fixed Rates shall be computed on the basis of a year of 360 days and twelve 30-day months, (ii) interest at Auction Rates or Term Rates may be computed on a different basis if so specified by the Authority and (iii) interest on Purchased Bonds shall be computed and paid as provided below under "Bank Bonds."

Adjustable Rates. Daily, Weekly and Term Rates shall be determined not later than 10:00 a.m. on the commencement date of each Rate Period.

Each Daily, Weekly or Term Rate Period shall commence: (a) initially, on the delivery date of the Bonds or the effective date of a Conversion to such Rate Period; and (b) thereafter (i) on each Business

Day, in the case of Daily Rate Periods, (ii) on Wednesday of each week (unless otherwise specified by the Authority) commencing after such delivery or Conversion, in the case of Weekly Rate Periods, and (iii) on the Business Day following each Term Rate Period. Each such Adjustable Rate Period shall end on the last day preceding the earliest of the commencement date of the next Rate Period, the date of maturity and (unless otherwise specified by the Authority) the date of any mandatory redemption or mandatory tender.

Each Daily, Weekly or Term Rate shall be determined by the Remarketing Agent and shall represent the rate which, in the judgment of the Remarketing Agent, is the lowest rate of interest that would cause the Bonds to have a market value equal to the principal amount thereof, plus accrued interest (if any), under prevailing market conditions on the commencement date of the applicable Rate Period. In the event that the Remarketing Agent no longer determines, or fails to determine when required, any Adjustable Rate for any Bond in a Daily, Weekly or Term Rate Period, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Adjustable Rate for such Period shall be equal to the TBMA Municipal Index (or, if necessary, the yield determined by a generally accepted comparable successor index designated by the Authority). If such index or successor is no longer published, the interest rate then in effect shall continue in effect on such Bond.

Notice of each Daily, Weekly or Term Rate shall be given by the Remarketing Agent by Electronic Means to the Authority, the Bank and the Fiduciaries not later than 4:00 p.m., on the Rate Determination Date (or the Remarketing Agent may give weekly notice of the Daily Rate applicable to each day of the previous week), and the Tender Agent (or the Remarketing Agent in the case of Daily Rates) shall make such rate or rates available from the time of notification to the owners of the Adjustable Rate Bonds upon request for such information. Notice of interest rates shall be given (a) by the Paying Agent to the owners of Adjustable Rate Bonds which bear interest at Daily Rates or Weekly Rates on each Interest Payment Date with the distribution of interest on such Bond; and (b) for Term Rates, by Electronic Means by the Tender Agent by the third Business Day following the applicable Rate Determination Date.

CP Mode. For Adjustable Rate Bonds bearing interest in the CP Mode, the CP Rate for each CP Rate Period for each Bond shall be determined as follows:

(i) Establishment of CP Rate Periods. At or prior to 12:30 p.m. on the date of issue or any Conversion Date upon which Adjustable Rate Bonds will begin to bear interest in the CP Mode and on any day immediately after the end of a CP Rate Period, the Remarketing Agent shall establish CP Rate Periods in accordance with instructions from the Authority with respect to Adjustable Rate Bonds for which no CP Rate Period is currently in effect. Any CP Rate Period may not exceed 270 days, shall end on the day preceding a Business Day and may not extend beyond the day prior to the maturity date of the Bond or to any applicable mandatory tender date, notice of which has been given prior to the establishment of the CP Rate Period.

(ii) Setting of Rates. On the first Business Day of each CP Rate Period (the “Rate Determination Date”), the Remarketing Agent shall set a rate (a “CP Rate”) by 12:30 p.m., for each CP Rate Period. Each CP Rate shall be the rate of interest that, if borne by the Adjustable Rate Bonds, would, in the judgment of the Remarketing Agent, having due regard to the prevailing market conditions as of the Rate Determination Date, be the lowest rate of interest necessary to enable the Remarketing Agent to remarket such Bonds at a price of par on the commencement date of the applicable CP Rate Period.

The Authority may change its instructions about the establishment of CP Rate Periods pursuant to the preceding paragraph (i) in a written direction from the Authority, which direction must be received by the Remarketing Agent prior to 10:00 a.m., on the day prior to any Rate Determination Date to be effective on such date, but only if the Authority receives an opinion of Bond Counsel to the effect that such action is authorized by the Indenture and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

Notice of each CP Rate and CP Rate Period for each Adjustable Rate Bond shall be given by the Remarketing Agent to the Authority, the Bank and the Fiduciaries by Electronic Means not later than 1:00 p.m., on the Rate Determination Date, and the Tender Agent shall make such rate and period available from the time of notification to the owners of Adjustable Rate Bonds upon request for such information.

In the event that the Remarketing Agent no longer determines, or fails to determine when required, any CP Rate Period or any CP Rate for any Adjustable Rate Bond in the CP Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the CP Rate Period for any such Bond shall automatically extend from the day after the next preceding CP Rate Period to but not including the next succeeding Business Day, and the CP Rate for each such CP Rate Period shall automatically be equal to the TBMA Municipal Index (or, if necessary, the yield determined by a generally accepted comparable successor index designated by the Authority). If such index or successor is no longer published, the interest rate then in effect shall continue in effect on such Bond.

Fixed Rates and Stepped Coupons. The Fixed Rates or rates applicable to Stepped-Coupon Bonds shall be determined not later than the Conversion Date by the Remarketing Agent or pursuant to an agreement for the underwriting of such Bonds. The rates shall be either (i) the lowest rates which, in the judgment of the Remarketing Agent or such underwriters, having due regard for prevailing financial market conditions for bonds or other securities which are comparable as to federal income tax treatment, credit and maturity with the federal income tax treatment, credit and maturity of such Bonds, would enable such Bonds to be sold on the Conversion Date at a price of par, plus accrued interest, if any, or (ii) if the Authority shall have received a Favorable Opinion of Bond Counsel, such other rate or rates of interest as the Authority shall determine.

Conversions. Upon the direction of the Authority, all or a portion of the Adjustable Rate Bonds may be Converted on: if from Stepped-Coupon Bonds or a Fixed Rate, an Optional Redemption Date; if from a Daily or Weekly Rate Period, a regularly scheduled Interest Payment; if from a Term Rate Period, only on a date on which a new Term Rate Period would have commenced; with respect to Auction Rates, pursuant to the Indenture or an officer's certificate; and if from the CP Mode, only on a regularly scheduled Mandatory Tender Date for all Adjustable Rate Bonds to be Converted which is at least 30 days after notice of mandatory tender upon Conversion is given to Bondholders.

Not later than the 15th day prior to the Conversion Date (or the immediately succeeding Business Day, if such 15th day is not a Business Day), the Authority may irrevocably withdraw its election to Convert the Multi-Modal Bonds and its notice of mandatory tender by giving written notice of such withdrawal to the Remarketing Agent, the Fiduciaries and the Bank. In the event the Authority gives such notice of withdrawal (or upon failure to meet the conditions specified below), (i) the Tender Agent shall promptly give written notice to the owners of all Multi-Modal Bonds that were to be Converted and (ii) such Bonds shall continue to bear interest as previously specified. Failure by the Tender Agent to provide such notice to the owners of the Multi-Modal Bonds shall not affect the validity of the notice of withdrawal given by the Authority.

Subject to meeting the conditions to such Conversion, the Authority shall Convert to Stepped Coupons, Auction Rates or a Fixed Rate all Liquidity Enhanced Bonds prior to the mandatory tender that would occur upon expiration of the Liquidity Facility if the Liquidity Facility is not extended or replaced.

Each Conversion is conditioned upon determination of the new rate or rates of interest and delivery to the Authority (not later than 10:00 a.m. on the Conversion Date) of (a) a Favorable Opinion of Bond Counsel and (b) in the case of Conversion to a Liquidity Enhanced Bond, evidence that the Liquidity Facility provides for coverage of interest for a period at least 5 days (or more if required by the Rating Agencies) longer than the period that will extend between Interest Payment Dates after such Conversion.

Tender of Liquidity Enhanced Bonds

So long as no Liquidity Condition exists, each Liquidity Enhanced Bond shall be subject to tender for purchase by the Tender Agent or the Bank as provided herein. In each case, such purchases shall be made at a purchase price (the "Purchase Price") equal to 100% of the principal amount to be purchased, plus all accrued and unpaid interest thereon to the date of purchase thereof (the "Purchase Date"), which principal and interest components shall be applied to the purchase of the rights to receive such principal and interest, when and as the same is or becomes due, from the Owners of such rights.

The Purchase Price shall be payable (if a Liquidity Enhanced Bond is delivered to the Tender Agent not later than 10:00 a.m. on the Purchase Date) by the Tender Agent by wire transfer or at its designated office in immediately available funds, on the Purchase Date to the Owner thereof.

Optional Tender

So long as no Liquidity Condition exists, the Liquidity Enhanced Bonds bearing interest at a Daily Rate or Weekly Rate (other than Bonds held by or for the Authority) are subject to tender for purchase at the applicable Purchase Price by the Tender Agent at the option of the Bondholders as provided therein and herein. All Bonds or portions thereof tendered or retained shall be in Authorized Denominations.

Notice of Optional Tender. Each notice of Optional Tender:

- (i) shall, in a Daily Rate Period, be given to the Tender Agent not later than 11:00 a.m. on the Purchase Date;
- (ii) shall, in a Weekly Rate Period, be given not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date; and
- (iii) shall, if given in writing, be delivered to the Tender Agent at its designated office.

Remarketing of Tendered Bonds. The Remarketing Agent shall, subject to the provisions of the Remarketing Agreement, offer for sale and use its best efforts to find purchasers (at par plus accrued interest, if any) for all Bonds properly tendered. Bonds shall not be remarketed to the Authority or any affiliate thereof except for cancellation. The Remarketing Agent shall cause the purchase price to be paid to the Tender Agent in immediately available funds at or before 3:00 p.m. on the Purchase Date. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any Bond as to which a notice of redemption or mandatory tender has been given unless the Remarketing Agent has advised the person to whom the offer is made of the notice of redemption or mandatory tender.

Payment of Tendered Bonds. By 3:00 p.m. on the Purchase Date, the Tender Agent shall pay the purchase price of such Bonds to the owners thereof at its principal office or by bank wire transfer. Such payments of purchase price shall be made in immediately available funds. The Tender Agent shall apply in order (a) money paid to it by the new purchaser of the Tendered Bonds as proceeds of the remarketing of such Bonds by the Remarketing Agent, (b) money made available for such purpose by the Authority and (c) money drawn on the Bank. If sufficient funds are not available for the purchase of all Tendered Bonds, no purchase shall be consummated. If surplus funds are available following consummation of the purchase of all Tendered Bonds, the Tender Agent shall send by bank wire transfer any such excess first, to the extent funds were provided by the Bank to the Tender Agent for such purchase, to the Bank, and second, to the extent provided by the Authority, to the Authority.

Mandatory Tender

So long as no Liquidity Condition exists, the Liquidity Enhanced Bonds (other than Bonds held by or for the Authority) are subject to mandatory tender for purchase as provided herein and in the Liquidity Facility; and the Holders of mandatorily tendered Bonds may not elect to retain such Bonds.

Mandatory Tender upon Conversions. The Liquidity Enhanced Bonds shall be subject to mandatory tender for purchase by the Tender Agent on each Conversion Date for such Bonds at the applicable Purchase Price.

(i) Notice to Tender Agent. Not less than 35 days prior to the Conversion Date, the Authority shall give written notice of the Conversion to the Tender Agent, the Trustee, the Remarketing Agent, the Auction Agent, if there is or will be an Auction Agent, and the Bank identifying the Bonds to be Converted and setting forth the proposed Conversion Date and Rate Period.

(ii) Notice to Bondowners. Written notice of mandatory tender shall be given to Bondowners. Upon withdrawal of the Authority's election to Convert Bonds or failure to meet the conditions thereto, the Tender Agent shall give written notice to the Holders of such Bonds.

(iii) Remarketing and Purchase. The provisions applicable to remarketing and purchase of optionally tendered Bonds or of Bonds subject to mandatory tender following a CP Rate or a Term Rate Period, as the case may be, shall apply to Bonds tendered upon Conversion, recognizing the Conversion Date as the Purchase Date. Unless this condition is waived by the Bank, the Authority shall not Convert Bonds to a Fixed Rate unless a firm commitment for their purchase, subject only to customary conditions, is in effect at the last date the election to Convert may be withdrawn.

Mandatory Tender Following CP Rate or Term Rate Period. Each Liquidity Enhanced Bond is subject to mandatory tender (without notice) for purchase by the Tender Agent on the commencement date of a CP Rate Period that follows a CP Rate Period, or a Term Rate Period that follows a Term Rate Period, applicable to such Bond, at a purchase price equal to the applicable Purchase Price.

Mandatory Tender to Bank. So long as no Liquidity Condition exists, the Liquidity Enhanced Bonds are subject to mandatory tender for purchase by the Bank pursuant to the Liquidity Facility, on the Purchase Date following a Notice of Purchase (as defined in the Liquidity Facility, the "Notice") from the Tender Agent to the Bank, at the applicable Purchase Price. If (x) on the 15th day prior to the Scheduled Termination Date of a Liquidity Facility, Multi-Modal Bonds are bearing interest as Liquidity Enhanced Bonds and the Authority has not given written notice to the Tender Agent of the extension or replacement of the Liquidity Facility or (y) the Tender Agent receives a Notice of Default (as defined in the Liquidity Facility) from the Bank, the Tender Agent shall (and the Authority, for the benefit of the Bondholders, irrevocably so instructs the Tender Agent) deliver the Notice on that day (or, at the latest, by 12:30 p.m. on the next Business Day); and the Tender Agent shall promptly notify the registered owners of such Liquidity Enhanced Bonds, by certified mail, postage prepaid, return receipt requested, of its Notice. Such Notice to registered owners shall also state the Purchase Date (which shall be the last Business Day prior to the date of expiration or termination of the Bank's commitment); that such Liquidity Enhanced Bonds shall be required to be surrendered to the Tender Agent on the Purchase Date; that if any such Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon the deposit by the Tender Agent of sufficient money in a special account for the payment of the Purchase Price of such Bond, interest on such Bond shall cease to accrue to the former owner and such Bond shall be deemed purchased by the Bank. So long as no Liquidity Condition exists, the Bank shall purchase each Liquidity Enhanced Bond mandatorily tendered pursuant to this paragraph at the Purchase Price (whether or not actually tendered). The Notice shall constitute a demand, on behalf of the Authority and the Bondholders,

to the Bank to provide immediately available funds to purchase such Bonds by 2:30 p.m. on the Purchase Date. If Notice is not given as aforesaid, then following expiration or termination of the Purchase Period (as defined in the Liquidity Facility), such Liquidity Enhanced Bonds shall bear interest at the Formula Rate or as Bank Bonds, if applicable, and shall not be subject to optional or mandatory tender for purchase (except upon Conversion to a Fixed Rate, Stepped Coupons or Auction Rates).

Purchase; Undelivered Bonds. On the Purchase Date designated for any Liquidity Enhanced Bond, if sufficient money for the payment of the purchase price of such Bond is held by the Tender Agent, interest on such Bond shall cease to accrue to the former owner, such Bond shall be deemed to have been purchased pursuant hereto, irrespective of whether or not such Bond shall have been presented to the Tender Agent, and the former owners of such Bond or interests therein shall have no claim thereunder or otherwise for any amount other than to receive the Purchase Price therefor.

Inadequate Funds for Tenders; Loss of Liquidity. If either the funds available for purchases of Liquidity Enhanced Bonds are inadequate for the purchase of all such Bonds tendered on any Purchase Date or a Liquidity Condition shall exist, then all such Liquidity Enhanced Bonds shall bear interest from such date at the Formula Rate or as Bank Bonds, if applicable, and shall no longer be subject to optional or mandatory tender for purchase (except upon Conversion to a Fixed Rate, Stepped Coupons or an Auction Rate); and the Trustee or Tender Agent shall immediately: (i) return all such tendered Bonds to the owners thereof; (ii) return all money received for the purchase of such Bonds to the persons providing such money and (iii) give written notice to all Liquidity Enhanced Bondowners. As long as no Liquidity Condition exists, the obligation to deposit funds in sufficient amounts to purchase Liquidity Enhanced Bonds from either proceeds of the applicable Liquidity Facility or remarketing proceeds will remain enforceable pursuant to the terms of the Indenture and only be discharged at such time as funds are deposited with the Tender Agent in an amount sufficient to purchase all Liquidity Enhanced Bonds that were required to be purchased on the prior optional tender date or mandatory tender date, together with any interest which has accrued to such subsequent purchase date.

Liquidity Facilities

So long as such Bonds are subject to tender for purchase, the Authority shall keep in effect one or more liquidity facility agreements for the benefit of the Bondowners of the Liquidity Enhanced Bonds, which shall require a financially responsible party or parties other than the Authority to purchase all or any portion of such Bonds tendered by the holders thereof for repurchase prior to the final maturity of such Bonds. A financially responsible party or parties, for the purposes of this paragraph, shall mean a person or persons meeting any applicable statutory requirements and 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 such Bonds which may be tendered for repurchase by the holders thereof. The Bank initially shall be the party who shall have, pursuant to the Liquidity Facility, the obligation to purchase all or any portion of such tendered Bonds which cannot be remarketed.

On or before the date of substitution of a new liquidity facility agreement (not including an extension) for the Liquidity Facility provided by the Bank, the Authority shall either cause a mandatory tender (supported by such existing Liquidity Facility) or obtain Rating Confirmation. The Authority shall give written notice to the Trustee, the Bank, the Remarketing Agent and each affected Bondholder at least ten days prior to any substitution.

Liquidity Conditions

The Liquidity Enhanced Bonds are not subject to tender for purchase if a Liquidity Condition exists.

Upon the occurrence of a Liquidity Condition, the Bank's obligation under the Liquidity Facility to purchase the related Bonds shall immediately terminate or be suspended without notice or demand to any person, and thereafter the Bank 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 Liquidity Condition, the Bank shall give written notice of the same to the Authority, the Tender Agent, the Trustee and the Remarketing Agent and the Tender Agent shall promptly relay such notice to the Bondholders upon receipt, but the Bank 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 or suspension of its obligation to purchase such Bonds. For a description of the Liquidity Conditions contained in the initial Liquidity Facility, see "Initial Liquidity Facility" below.

Miscellaneous

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 applicable 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. Prior to defeasing any Liquidity Enhanced Bonds, the Authority shall satisfy any related obligations to the applicable Bank, provide to each Rating Agency a cash flow statement demonstrating compliance with the conditions to defeasance, and obtain Rating Confirmation from each of them.

Supplements and Amendments. In addition to supplements and amendments otherwise authorized by the Indenture, Adjustable Rate Provisions may be supplemented or amended by an officer's certificate:

- (a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision relating to the Adjustable Rate Bonds;
- (b) to identify particular Adjustable Rate Bonds for purposes not inconsistent with the Indenture, including credit or liquidity support, remarketing, Conversion, redemption, serialization and defeasance; or
- (c) to insert such provisions with respect to the Adjustable Rate Bonds as are necessary or desirable and are not to the prejudice of the Bondholders.

Optional Redemption

Adjustable Rate Bonds bearing interest at Daily, Weekly or CP Rates are subject to redemption prior to maturity at the option of the Authority, in whole or in part, on any potential Conversion Date following their defeasance and on 30 days' notice, 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.

Initial Liquidity Facility

The initial Liquidity Facility for the Adjustable Rate Bonds is provided by Dexia Credit Local, acting through its New York Branch (See Appendix B). The Bank's commitment under the Liquidity Facility in the initial mode will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Adjustable Rate Bonds at an assumed rate of 9%.

The term of the Liquidity Facility is set forth on the inside cover hereof. The obligation of the Bank may be suspended or may terminate prior to the expiration of the term of the Liquidity Facility as described below.

Each of the following will cause the immediate termination of the obligation of the Bank to purchase the Adjustable Rate Bonds under its Liquidity Facility: (i) failure by the Authority to pay when due any interest, principal or redemption premium on any of its bonds or notes; (ii) insolvency of the Authority; (iii) breach, amendment, alteration or repeal of the State Covenant or the State's tax contract in the Act; (iv) amendment or repeal by the State of the law obligating the State to pay over to the Authority Personal Income Taxes or Sales Taxes in accordance with the terms of such law as now in effect; (v) delivery by the Authority of an officer's certificate showing estimated Revenues to be less than 150% of Debt Service; (vi) issuance of a final, nonappealable judgment by a court of competent jurisdiction or initiation by the Authority of legal proceedings asserting that the Adjustable Rate Bonds or any material provision relating to the payment of principal and interest on the Adjustable Rate Bonds or the Liquidity Facility or the Indenture is invalid or that the Authority has no liability thereon; or (vii) withdrawal or suspension (as the result of a credit-related event) by S&P, Fitch or Moody's of the long-term debt rating on the Authority's Parity Bonds or the reduction of the long-term debt rating on the Authority's Parity Bonds below BBB- (or its equivalent rating), in the case of S&P, BBB- (or its equivalent rating), in the case of Fitch, and Baa3 (or its equivalent rating), in the case of Moody's.

The following two events will cause the immediate suspension of the obligation of the initial Bank to purchase the Adjustable Rate Bonds under the Liquidity Facility: (i) enactment by the State of a moratorium or other similar law affecting the bonds or notes of the Authority; or (ii) failure of the Authority to maintain its existence as a public benefit corporation under the laws of the State with full right and power to issue the Adjustable Rate Bonds and to execute, deliver and perform its obligations under the Applicable Liquidity Facility and each Related Document, as defined in such Liquidity Facility.

Each of the foregoing conditions under which the Bank is not obligated to purchase Liquidity Enhanced Bonds constitutes a "Liquidity Condition."

The preceding is a summary of certain provisions expected to be included in the Liquidity Facility and the proceedings under which the Adjustable Rate Bonds are to be issued, 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 Tender Agent. Information regarding the Bank is included herein as Appendix B hereto. Neither the Authority nor the Underwriter makes any representation with respect to the information in Appendix B hereto.

Security Certificates

Book-Entry Only System

Beneficial ownership interests in the Adjustable Rate Bonds (the "Securities") will be available in book-entry only form only. Purchasers of beneficial ownership interests in the Securities will not receive certificates representing their interests in the Securities purchased.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Securities. Reference to the Securities under the caption "Security Certificates" shall

mean all Securities that are deposited with DTC from time to time. 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 issue of the Securities, each in the aggregate principal amount of such issue, 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 2.2 million issues of U.S. and non-U.S. equity, 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, thereby eliminating 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Securities Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to both U.S. and non-U.S. securities brokers and dealers, bank, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 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 Security (under this caption, "*Book-Entry Only System*," a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct 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 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).

Redemption proceeds, distributions, and dividend 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 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 Participant and not of DTC nor its nominee, Authority, or Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or 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.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Security is held in book-entry form, such Security need not be delivered in connection with any optional or mandatory tender of Securities described under "SECTION II: THE ADJUSTABLE RATE BONDS." In such case, payment of the Purchase Price in connection with such tender shall be made to the registered owner of such Securities on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and, notwithstanding the description of optional and mandatory tender of Securities contained under "SECTION II: THE ADJUSTABLE RATE BONDS," transfer of beneficial ownership shall be made in accordance with the procedures of DTC.

DTC may discontinue providing its service as securities 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 securities 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 information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information furnished by DTC. Neither the Authority nor the Underwriter 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” included herein by specific reference.

SECTION III: OTHER INFORMATION

Tax Matters

In the opinion of Sidley Austin LLP, New York, New York, as Bond Counsel, except as provided in the following sentence, interest on the Adjustable Rate Bonds will not be includable in the gross income of the owners of the Adjustable Rate Bonds for purposes of federal income taxation under existing law. Interest on the Adjustable Rate Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Adjustable Rate Bonds in the event of a failure by the Authority or the City to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and their respective covenants regarding use, expenditure and investment of the proceeds of the Adjustable Rate Bonds and the timely payment of certain investment earnings to the United States Treasury; and no opinion is rendered by Sidley Austin LLP as to the exclusion from gross income of the interest on the Adjustable Rate Bonds for federal income tax purposes on or after the date on which any action is taken under the Indenture or related proceedings upon the approval of counsel other than such firm.

In the opinion of 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.

In the opinion of Bond Counsel, interest on the Adjustable Rate Bonds will not be a specific preference item 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 Adjustable Rate 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 Adjustable Rate 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 Adjustable Rate Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Adjustable Rate Bonds will not have an adverse effect on the status of the Adjustable Rate Bonds. Legislative or regulatory actions and proposals may also affect the economic value of the tax exemption or the market price of the Adjustable Rate Bonds.

Underwriting

Adjustable Rate Bonds are being purchased for reoffering by the Underwriter, Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Underwriter has agreed, subject to certain conditions, to purchase such Adjustable Rate Bonds from the Authority at an aggregate underwriter's discount of \$19,802.63 and to make an initial public offering of such Adjustable Rate Bonds at par. The Underwriter will be obligated to purchase all such Adjustable Rate Bonds if any such Adjustable Rate Bonds are purchased.

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

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

As used in this Offering Circular, the following terms have the meanings set forth below:

“**Auction Rate Bonds**” means Multi-Modal Bonds bearing interest at Auction Period Rates.

“**Authorized Denominations**” means (i) for Liquidity Enhanced Bonds, any Daily Rate Period, any Commercial Paper Rate Period, or any Weekly Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, (ii) during any Term Rate Period or the Fixed Rate Period, or for Stepped-Coupon Bonds, \$5,000 or any integral multiple thereof and (iii) for Auction Rate Bonds, except as otherwise may be stated in the Indenture, \$25,000 or any integral multiple thereof.

“**Bank**” means each of the liquidity providers for the Liquidity Enhanced Bonds.

“**Bank Bond**” means any Liquidity Enhanced Bond during the period from and including the date it is purchased by the Bank under the Liquidity Facility to, but excluding, the earliest of (a) the date of its payment in full or redemption and (b) the date of its sale by such Bank (other than through the grant of a participation or under such terms that it shall continue to be deemed to be a Bank Bond pursuant to the Liquidity Facility).

“**Business Day**” means a day (a) other than a day on which commercial banks in The City of New York, New York, and such other cities as may be specified in the Liquidity Facility, 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.

“**Conversion**” means a change in the type of interest Rate Period applicable to the Multi-Modal Bonds; including a change from a Term Rate Period to a Term Rate Period of substantially different length from the preceding Term Rate Period. A change in the Auction Period or the rate of interest borne by Stepped-Coupon Bonds is not a Conversion.

“**Conversion Date**” means the effective date of a Conversion.

“**CP Mode**” means that Period or sequence of Periods during which Adjustable Rate Bonds bear interest at CP Rates.

“**CP Rate**” or “**CP**” means the interest rate that may be separately determined for each Adjustable Rate Bond.

“**Daily Rate**” means the interest rate that may be determined for the Liquidity Enhanced Bonds on each Business Day pursuant to the applicable provisions hereof.

“**Direct Obligations**” means 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, non-callable “CATS,” non-callable “TIGRS” 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.

“**Electronic Means**” means telephone, telecopy, telegraph, telex, internet, electronic mail, facsimile transmission or any other similar means of electronic communication. Any communication by telephone as an Electronic Means shall be promptly confirmed in writing or by one of the other means of electronic communication authorized herein.

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

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

“Fixed Rate” means the rate at which the Adjustable Rate Bonds shall bear interest to their maturity or earlier redemption or purchase in lieu thereof.

“Formula Rate” means the lower of (i) the TBMA Municipal Index plus 3% per annum and (ii) the highest rate provided by law for interest on accrued claims against municipalities (that is, the rate stated in §3-9.1 of the General Municipal Law, as amended or superseded from time to time).

“Interest Payment Date” means with respect to (1) any Daily Rate Period, any Weekly Rate Period, or any case not specified, the first Business Day of each February and August (2) any CP Period of six months or less, the Business Day following the last day of the Rate Period, (3) any CP Period exceeding six months, both the Business Day following the last day of the Rate Period and the first Business Day of the sixth month, (4) any Term Rate Period, each February 1 and August 1 and the Business Day following the last day of the Rate Period, or as specified by the Authority, (5) the Fixed Rate Period, or for Stepped-Coupon Bonds, February 1 and August 1 of each year, commencing as determined by the Authority, (6) any Auction Period, (a) other than a daily Auction Period or a Special Auction Period, the Business Day following such Auction Period, (b) that is a daily Auction Period, the first Business Day of the month following such Auction Period, and (c) that is a Special Auction Period of (i) seven or more but fewer than 92 days, the Business Day following such Special Auction Period, or (ii) 92 or more days, each thirteenth Monday after the first day of such Special Auction Period or the next Business Day if such Monday is not a Business Day and on the Business Day following such Special Auction Period, and (7) Bank Bonds, the times required by the Indenture or the Liquidity Facility. If any such date is not a Business Day, the Interest Payment Date shall be the following Business Day. With respect to all Multi-Modal Bonds, interest shall be payable on each mandatory tender date, redemption date or maturity date.

“Liquidity Condition” means a condition under which the Bank is not obligated to purchase Liquidity Enhanced Bonds and, accordingly, such Bonds are not subject to tender for purchase.

“Liquidity Enhanced Bonds” means the Adjustable Rate Bonds that are not Stepped-Coupon Bonds or bearing interest at Fixed Rates.

“Liquidity Facility” means each Standby Bond Purchase Agreement between the Authority and a Bank with respect to the Liquidity Enhanced Bonds, as in effect from time to time.

“Mandatory Redemption Date” means, in each year so specified in the Multi-Modal Bonds, (1) for Stepped-Coupon Bonds or Bonds bearing interest at Term Rates or Fixed Rates, August 1, (2) for Bonds bearing interest at Daily Rates, Weekly Rates or Money Market Municipal Rates, the first Business Day in August (which will be an Interest Payment Date), (3) for Bonds in a Special Auction Period, the first Business Day in August (whether or not an Interest Payment Date), and (4) for Bonds in any other Auction Period, the first Interest Payment Date on or after August 1.

“Optional Redemption Date” means, (1) for Bonds bearing interest at Daily Rates or Weekly Rates, any Business Day, (2) for Bonds bearing interest at CP Rates or Term Rates, each Mandatory Tender Date, (3) for Auction Rate Bonds, each Interest Payment Date following an Auction Period, (4) for Stepped-Coupon Bonds, any Business Day on or after the first change of interest rate, (5) for Bank Bonds and Bonds bearing interest at the Formula Rate, any Business Day, or (6) in each case, including Bonds bearing interest at Fixed Rates, as specified by an Authorized Officer upon Conversion.

“Rate Period” or **“Period”** means the period during which a specific rate of interest determined for any Adjustable Rate Bonds will remain in effect.

“Rate Determination Date” means the Business Day on which a rate of interest shall be determined.

“Rating Agency” means each of Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Ratings Services (“S&P”) and Fitch, Inc. (“Fitch”), that has a rating in effect, at the request of the Authority, for the Multi-Modal 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 a written notice from each Rating Agency that its rating on the Multi-Modal Bonds will not be suspended, withdrawn, reduced by Moody’s or reduced in Rating Category by another Rating Agency 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 Authorized Officer), (i) for the Initial Rate Period, any Daily Rate Period, any CP Period, any Weekly Rate Period or any Auction Period, the close of business on the Business Day preceding such Interest Payment Date, and (ii) during any Term Rate Period or the Fixed Rate Period, or for Stepped-Coupon Bonds, the fifteenth day of the calendar month immediately preceding an Interest Payment Date. The Record Date for payment of interest on Bank Bonds shall be the Interest Payment Date.

“Scheduled Termination Date” means the date on which a Liquidity Facility expires by its terms or is terminated by the Authority (in which case the Authority shall give written notice of such termination to the Tender Agent at least 20 days before the Scheduled Termination Date).

“State Covenant” means the covenant of the State with the Bondholders 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.

“Stepped-Coupon Bonds” means Adjustable Rate Bonds bearing interest at rates and for periods of time that are specified without reference to future events or contingencies. Stepped-Coupon Bonds shall be subject to mandatory tender for purchase in lieu of redemption on any redemption date, but there shall be no optional or mandatory tender for purchase thereof unless provided for in accordance with the Act.

“TBMA Municipal Index” means the TBMA Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor.

“Tender Agent” means The Bank of New York, New York, New York, and its permitted successors and assigns.

“Tendered Bonds” means all Adjustable Rate Bonds tendered or deemed tendered for optional or mandatory purchase pursuant hereto. Except upon Conversion, Bonds bearing interest as Bank Bonds or at the highest rate provided by law for interest on accrued claims against municipalities are not subject to tender for purchase and do not become Tendered Bonds.

“Term Rate” means the interest rate that may be determined for the Adjustable Rate Bonds for a period commencing on a Conversion Date or a date immediately following a Term Rate Period and ending as determined by the Authority.

“Weekly Rate” means the interest rate that may be determined for the Liquidity Enhanced Bonds on a weekly basis pursuant to the applicable provisions hereof.

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Dexia Credit Local

Dexia Credit Local (“Dexia”) is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of over 21 billion euros as of December 31, 2005, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group’s first line of business – public and project finance and financial services for the public sector. Dexia has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,000 professionals. Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union as well as Central Europe, the United States of America and Canada. Dexia also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

Dexia is a bank with its principal office located in Paris, France. In issuing the facility, Dexia will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of Dexia Credit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2005 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2005, total funding raised by Dexia and Dexia Municipal Agency was 13.2 billion euros.

The Dexia Group is the owner of Financial Security Assurance Holdings Ltd. (“FSA Holdings”), the holding company for Financial Security Assurance Inc., a leading financial guaranty insurer.

As of December 31, 2005, Dexia had total consolidated assets of 272 billion euros, outstanding medium and long-term loans to customers of 215.60 billion euros and shareholders’ equity of over 7.48 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 861 million euros. These figures were determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2005, the exchange rate was 1.0000 euro equals 1.173895 United States dollar. Such exchange rate fluctuates from time to time.

Dexia is rated Aa2 long-term and P-1 short-term by Moody’s, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Branch, 445 Park Avenue, 7th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

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PROPOSED FORM OF BOND COUNSEL OPINION

October 16, 2006

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 Tax-Exempt Subordinate Bonds, Fiscal 2007 Series A, Subseries A-3 Multi-Modal Bonds, issued as Adjustable Rate Bonds (the "Adjustable Rate Bonds"). The Adjustable Rate Bonds are being issued pursuant to Chapter 16, Laws of New York, 1997, as amended (the "Act"), to an Indenture dated as of October 1, 1997, as amended and supplemented (the "Indenture"), between the Authority and The Bank of New York, New York, New York, as Trustee, and to a Financing Agreement dated October 1, 1997, as supplemented (the "Agreement"), between the Authority and The City of New York (the "City"). Terms not defined herein are used as defined in the Indenture.

The Adjustable Rate Bonds are dated, bear interest, mature, are subject to redemption and are secured as set forth in the Indenture. The Adjustable Rate Bonds are secured on a parity with the Authority's Recovery Bonds and Parity Debt, subordinate to Senior Debt Service and operating expenses. The Authority is authorized to issue additional bonds (together with such bonds heretofore issued and the Adjustable Rate 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. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

Based on the foregoing and our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, 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 Adjustable Rate 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 with respect to all provisions thereof material to the subject matter of this opinion letter.

2. The Adjustable Rate Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding obligations of the Authority payable from the 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 "Alternative 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 State, if payable to the Authority pursuant to the Act, are subject to State appropriation and to a prior claim of the Municipal Assistance Corporation for The City of New York. 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 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 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 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. Interest on the Adjustable Rate Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

10. Except as provided in the following sentence, interest on the Adjustable Rate Bonds is not includable in the gross income of the owners of the Adjustable Rate Bonds for purposes of federal income taxation under existing law. Interest on the Adjustable Rate Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Adjustable Rate Bonds in the event of a failure by the Authority or the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and their respective covenants regarding use, expenditure and investment of proceeds of the Adjustable Rate Bonds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Adjustable Rate Bonds for federal income tax purposes on or after the date on which any action is taken under the Indenture or related proceedings upon the approval of counsel other than ourselves.

11. Interest on the Adjustable Rate Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. The Tax Code contains other provisions that

could result in tax consequences, upon which we render no opinion, as a result of ownership of such 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.

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

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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\$100,000,000
New York City
Transitional Finance Authority
Future Tax Secured Bonds
Fiscal 2007 Series A
Subseries A-3 Tax-Exempt Subordinate Bonds
(Adjustable Rate Bonds)

OFFERING CIRCULAR

October 5, 2006
