

**NEW ISSUE**

In the opinion of Bond Counsel, interest on the Series 2011 A 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-3 Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Subseries A-1 Bonds and the Subseries A-2 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.



**\$900,000,000**  
**New York City Transitional Finance Authority**  
**Future Tax Secured Bonds Fiscal 2011 Series A**

**\$614,405,000 Subseries A-1**  
**Taxable Subordinate Bonds**  
**(Build America Bonds)**

**\$147,060,000 Subseries A-2**  
**Taxable Subordinate Bonds**  
**(Qualified School Construction Bonds)**

**\$138,535,000 Subseries A-3**  
**Tax-Exempt Subordinate Bonds**

Dated: Date of Delivery

Due: August 1, as shown on inside cover page

The Future Tax Secured Taxable Subordinate Bonds (Build America Bonds), Fiscal 2011 Subseries A-1 (the "Subseries A-1 Bonds"), the Future Tax Secured Taxable Subordinate Bonds (Qualified School Construction Bonds), Fiscal 2011 Subseries A-2 (the "Subseries A-2 Bonds"), the Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2011 Subseries A-3 (the "Subseries A-3 Bonds" and, together with the Subseries A-1 Bonds and the Subseries A-2 Bonds, the "Series 2011 A Fixed 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, dated June 4, 2010, as amended and supplemented (the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York as Trustee (the "Trustee").

In addition to the Series 2011 A Fixed Rate Bonds, the Authority expects to issue its \$100,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2011 Subseries A-4 (the "Adjustable Rate Bonds"). The Adjustable Rate Bonds will not be offered to the public and will be sold by the Authority directly to Wells Fargo Bank, National Association. The Series 2011 A Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the "Series 2011 A Bonds."

The Series 2011 A Bonds will be issued as Parity Debt (defined herein). Interest on and principal of the Series 2011 A 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." Provided the statutory and contractual conditions are met, other Series of Bonds senior to or on a parity with the Series 2011 A Bonds may be issued. See "SECTION V: THE AUTHORITY—Other Authority Obligations."

Pursuant to the Act, the Series 2011 A 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 Series 2011 A 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 Series 2011 A 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 Series 2011 A Fixed Rate Bonds are the responsibility of the DTC Participants.

Purchases of the Series 2011 A Fixed Rate Bonds will be made in book-entry form in denominations of \$5,000 and whole multiples thereof. Interest on the Series 2011 A Fixed Rate Bonds accrues from the dated date, and is payable on each February 1 and August 1, commencing February 1, 2011.

The Series 2011 A Fixed Rate Bonds are subject to redemption prior to maturity as described herein.

**THE SERIES 2011 A BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A LIEN ON TAX REVENUES OF THE AUTHORITY AND CERTAIN ACCOUNTS HELD BY THE TRUSTEE. THE SERIES 2011 A 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 2011 A BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN TAX REVENUES OF THE AUTHORITY AND CERTAIN ACCOUNTS HELD BY THE TRUSTEE.**

The Series 2011 A Fixed Rate 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 issuance of the Series 2011 A Fixed Rate Bonds is subject to the approval of legality of the Series 2011 A 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 Series 2011 A Fixed Rate Bonds will be available for delivery to DTC in New York, New York, on or about August 16, 2010.

**Barclays Capital**  
**J.P. Morgan**

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

**Morgan Keegan & Company, Inc.**  
**RBC Capital Markets**

**Citi**  
**BofA Merrill Lynch**

**Fidelity Capital Markets**  
**Loop Capital Markets LLC**  
**Rice Financial Products Company**

**Oppenheimer & Co., Inc.**  
**Southwest Securities, Inc.**  
**Stone & Youngberg**

**Goldman, Sachs & Co.**  
**Morgan Stanley**

**Jackson Securities**  
**M.R. Beal & Company**  
**Roosevelt and Cross Incorporated**  
**Wells Fargo Bank, National Association**

**Raymond James & Associates, Inc.**  
**Stifel Nicolaus**

August 4, 2010

**\$900,000,000**  
**New York City Transitional Finance Authority**  
**Future Tax Secured Bonds Fiscal 2011 Series A**

**\$614,405,000**  
**Subseries A-1 Taxable Subordinate Bonds**  
**(Build America Bonds)**

<u>Due August 1,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Number<sup>(1)</sup></u>	<u>ISIN Number<sup>(1)</sup></u>
2020	\$14,345,000	4.137%	100%	64971M4H2	US64971M4H24
2021	14,900,000	4.437	100	64971M4J8	US64971M4J89
2022	15,545,000	4.587	100	64971M4K5	US64971M4K52
2023	16,235,000	4.717	100	64971M4L3	US64971M4L36
2024	16,980,000	4.867	100	64971M4M1	US64971M4M19

\$158,560,000 5.808% Fiscal 2011 Subseries A-1 Term Bonds due August 1, 2030 — Price 100%  
 CUSIP Number<sup>(1)</sup> 64971M4N9 ISIN Number<sup>(1)</sup> US64971M4N91

\$377,840,000 5.508% Fiscal 2011 Subseries A-1 Term Bonds due August 1, 2037 — Price 100%  
 CUSIP Number<sup>(1)</sup> 64971M4P4 ISIN Number<sup>(1)</sup> US64971M4P40

**\$147,060,000**  
**Subseries A-2 Taxable Subordinate Bonds**  
**(Qualified School Construction Bonds)**

\$147,060,000 5.008% Fiscal 2011 Subseries A-2 Term Bonds due August 1, 2027 — Price 100%  
 CUSIP Number 64971M4Q2 ISIN Number<sup>(1)</sup> US64971M4Q23

**\$138,535,000**  
**Subseries A-3 Tax-Exempt Subordinate Bonds**

<u>Due August 1,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number<sup>(1)</sup></u>
2012	\$17,620,000	3%	0.55%	64971M4R0
2013	3,525,000	3	0.84	64971M4S8
2013	14,625,000	4	0.84	64971M4T6
2014	18,840,000	4	1.09	64971M4U3
2015	11,445,000	4	1.55	64971M4V1
2016	11,900,000	5	1.95	64971M4W9
2017	12,495,000	4	2.26	64971M4X7
2018	12,995,000	5	2.49	64971M4Y5
2019	13,645,000	5	2.68	64971M4Z2
2025 <sup>(2)</sup>	16,280,000	4	3.56	64971M5A6
2025 <sup>(2)</sup>	1,500,000	4¼	3.56	64971M5B4
2026 <sup>(2)</sup>	3,665,000	4	3.66	64971M5C2

<sup>(1)</sup> Copyright, American Bankers Association. CUSIP and ISIN data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP and ISIN numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2011 A Fixed Rate Bonds and neither the Authority nor the Underwriters 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 or ISIN number for a specific maturity is subject to being changed after the issuance of the Series 2011 A 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 Series 2011 A Fixed Rate Bonds.

<sup>(2)</sup> Priced to first optional call on August 1, 2020.

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 or the Underwriters to give any information or to make any representation with respect to the Series 2011 A 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 Series 2011 A 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 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.

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.

**IN CONNECTION WITH OFFERS AND SALES OF THE SERIES 2011 A FIXED RATE BONDS, NO ACTION HAS BEEN TAKEN BY THE AUTHORITY THAT WOULD PERMIT A PUBLIC OFFERING OF THE SERIES 2011 A FIXED RATE BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE SERIES 2011 A FIXED RATE BONDS, THIS OFFERING CIRCULAR OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2011 A FIXED RATE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, EACH UNDERWRITER IS OBLIGATED TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE SERIES 2011 A FIXED RATE BONDS OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2011 A FIXED RATE BONDS AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE SERIES 2011 A FIXED RATE BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES AND THE AUTHORITY SHALL HAVE NO RESPONSIBILITY THEREFOR.**

**THE SERIES 2011 A 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, 2009 AND 2008, 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 MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 A 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.**

**INFORMATION CONCERNING OFFERING RESTRICTIONS  
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

THE FOLLOWING INFORMATION HAS BEEN PROVIDED BY THE UNDERWRITERS FOR USE IN THIS OFFICIAL STATEMENT. THE AUTHORITY (REFERRED TO IN THESE LEGENDS AS THE “ISSUER”) MAKES NO REPRESENTATION AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION.

**MINIMUM UNIT SALES**

**THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 20 UNITS (BEING 20 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$100,000).**

**NOTICE TO PROSPECTIVE INVESTORS LOCATED IN AUSTRALIA**

*Any offer of securities in connection with this notice will not be made by way of a disclosure document under Part 6D of the Corporations Act (Cth) (the “Australia Act”).*

*Neither the issuer nor the underwriter is required to provide you with a prospectus or other disclosure document for the issue of securities because of the application of specific exemptions from the requirements for disclosure set out in section 708 of the Australia Act. In particular, this notice is being provided to you on the basis that:*

1. any offer in connection with this notice is a personal offer within the meaning of section 708(2) of the Australia Act, and that offer will not result in any breach referred to in that section;
2. section 708(8) of the Australia Act applies and you are a sophisticated investor in accordance with the terms of that section;
3. you are an experienced investor within the meaning of s 708(10) of the Australia Act; or
4. you are a professional investor in accordance with section 708(11) of the Australia Act.

*Any documents provided in connection with this notice are furnished solely for information purposes only and may not be reproduced or redistributed to any other persons except with our prior written consent. The documents are strictly confidential.*

*This notice does not constitute an offer or invitation to subscribe for or to purchase any securities and neither this notice nor anything contained in it will form the basis of any contract or commitment on the part of the issuer or underwriter to issue or transfer securities to any person.*

**NOTICE TO RESIDENTS OF BRAZIL**

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (COMISSÃO DE VALORES MOBILIÁRIOS – “CVM”). ANY PUBLIC OFFERING, AS DEFINED UNDER BRAZILIAN LAWS AND REGULATIONS, OF THE SECURITIES IN BRAZIL IS NOT LEGAL WITHOUT SUCH PRIOR REGISTRATION UNDER LAW NO. 6.385/76.

**NOTICE TO RESIDENT OF CANADA  
(BRITISH COLUMBIA, ONTARIO, AND QUEBEC)**

The offering of the securities in Canada is being made in the Provinces of British Columbia, Ontario and Québec (each, a “Canadian Jurisdiction” and collectively, the “Canadian Jurisdictions”) pursuant to exemptions from the prospectus requirements of applicable securities laws. The securities will be offered to “accredited investors” in the Canadian Jurisdictions pursuant to section 2.3 (the “Accredited Investor Exemption”) of National Instrument 45-106 - *Prospectus and*

*Registration Exemptions* of the Canadian Securities Administrators (“NI 45-106”). Under the Accredited Investor Exemption, a subscriber or any principal on whose behalf the subscriber is acting as agent (a “Canadian Purchaser”) must qualify as an “accredited investor”, as such term is defined in NI 45-106. All Canadian Purchasers of the securities will be required to execute a subscription agreement which will contain representations, warranties, covenants and acknowledgments of the Canadian Purchaser to establish the availability of such exemption and to ensure compliance with applicable Canadian securities laws.

### **Resale Restrictions**

The securities acquired by Canadian Purchasers hereunder may not be sold, transferred or otherwise disposed of in any manner unless such sale, transfer or disposition complies with the resale restrictions of the securities laws of the Canadian Jurisdictions. Pursuant to applicable Canadian provincial and territorial securities laws, the securities acquired by a Canadian Purchaser hereunder will be subject to restrictions on resale until such time as:

- (a) the appropriate “hold periods” have been satisfied and such purchaser has complied with other applicable requirements, including the filing of appropriate reports pursuant to applicable securities legislation;
- (b) a further statutory exemption may be relied upon by such purchaser; or
- (c) an appropriate discretionary order is obtained pursuant to applicable securities laws.

As the issuer is not a reporting issuer in any province or territory of Canada, the applicable hold period for the securities may never expire, and if no further statutory exemption may be relied upon and if no discretionary order is obtained, this could result in a Canadian Purchaser having to hold the securities for an indefinite period of time. Each certificate representing the securities issued to Canadian Purchasers will bear a legend indicating that the resale of such securities is restricted.

The foregoing is a summary only of applicable resale restrictions and is subject to the express provisions of applicable securities legislation. All Canadian Purchasers should consult with their own legal advisors to determine the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or the obtaining of a discretionary order.

### **Indirect Collection of Personal Information**

By purchasing the securities, a Canadian Purchaser acknowledges that its name, residential address, telephone number and other specified information may be disclosed to Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable Canadian laws. By purchasing the securities, a Canadian Purchaser consents to the disclosure of such information.

By purchasing the securities, a Canadian Purchaser that is resident in the Province of Ontario acknowledges that it has been notified by the issuer: (a) of the requirement to deliver to the Ontario Securities Commission (the “OSC”) the full name, residential address and telephone number of such purchaser, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (b) that this information is being collected indirectly by the OSC under the authority granted to it in applicable securities legislation; (c) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (d) that the Administrative Support Clerk can be contacted at the Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, or at (416) 593-3684, and can answer any questions about the OSC’s indirect collection of this information.

### **Rights of Actions for Damages or Rescission**

#### **Ontario Purchasers**

The *Securities Act* (Ontario) (the “Ontario Act”) provides Canadian Purchasers resident in the Province of Ontario with, in addition to any other right they may have at law, rights of rescission or damages, or both, where this document and



any amendment to it contains a misrepresentation (as defined below). However, such rights must be exercised by the purchasers within the time limits prescribed by the Ontario Act. Canadian Purchasers resident in the Province of Ontario should consult with a legal advisor or refer to the applicable provisions of the Ontario Act, found in section 130.1, for the complete text of these rights, the defences available to the issuer and others and the time limits during which these rights must be exercised.

The rights of action summarized below shall be available to each Canadian Purchaser of the securities resident in Ontario and are in addition to and without derogation from any other right or remedy available at law to such purchaser and are intended to correspond to the rights against an issuer of securities provided in the Ontario Act and are subject to the defences contained therein. Where used in this section, “misrepresentation” means an untrue statement of material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

In the event that this document, together with any amendments hereto, is delivered to a Canadian Purchaser resident in Ontario and contains a misrepresentation, such purchaser shall be deemed to have relied upon such misrepresentation and has, subject as hereinafter provided, a statutory right of action against the issuer either for damages or alternatively, while still the owner of any the securities, rescission, provided that:

- (a) an action is commenced to enforce such right (i) in the case of an action for rescission, within 180 days after the date of purchase, or (ii) in the case of an action for damages, within the earlier of 180 days following the date such purchaser first had knowledge of the misrepresentation and three years after the date of the purchase;
- (b) a person or company will not be liable if it proves that such purchaser purchased the securities with knowledge of the misrepresentation;
- (c) in the case of an action for damages, the issuer will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were sold to such purchaser; and
- (e) if such purchaser elects to exercise the right of rescission, it will have no right of action for damages.

Notwithstanding the foregoing, a Canadian Purchaser resident in the Province of Ontario will not have the rights referred to above if such purchaser is:

- (A) a Canadian financial institution, meaning either:
  - (ii) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or
  - (iii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services corporation, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction in Canada;
- (B) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (C) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or

- (D) a subsidiary of any person referred to in paragraphs (A), (B) or (C), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

The foregoing summary is subject to the express provisions of the Ontario Act and the respective regulations and rules thereunder. Each Canadian Purchaser resident in Ontario should refer to the complete text of such provisions or consult with a legal advisor.

### **Language of Documents**

Upon receipt of this document, the purchaser hereby confirms that he, she or it has expressly requested that all documents evidencing or relating in any way to the offer and/or sale of the securities be drawn up in the English language only. *Par la réception de ce document, l'acheteur confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à l'offre ou à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

### **NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLES REPUBLIC OF CHINA**

This memorandum has not been and will not be circulated or distributed in the PRC, and the securities may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any residents of the PRC except pursuant to applicable laws and regulations of the PRC. For the purposes of this paragraph, the PRC does not include Taiwan, Hong Kong or Macau.

### **NOTICE TO PROSPECTIVE INVESTORS IN DENMARK**

This offering memorandum does not constitute a prospectus under any Danish law and has not been filed with or approved by the Danish Financial Supervisory Authority as this offering memorandum has not been prepared in the context of a public offering of securities in Denmark within the meaning of the Danish Securities Trading Act or any Executive Orders issued pursuant thereto. Pursuant to Section 11 (1) of the Danish Prospectus Order No. 223 of 10 March 2010 and Section 2 of the Danish Executive Order No. 222 of March 10, 2010, this offering memorandum will only be directed to:

- (i) qualified investors as defined in Section 2 of the Danish Prospectus Order No. 223 of 10 March 2010 and/or
- (ii) fewer than 100 natural or legal persons in Denmark, and/or
- (iii) investors who acquire securities for a total consideration of at least EUR 50,000 per investor for each single offer of securities, and/or
- (iv) securities which are subject to a minimum denomination equivalent to at least EUR 50,000 per security.

Accordingly, this offering memorandum may not be made available nor may the securities otherwise be marketed and offered for sale in Denmark other than in circumstances which are deemed not to be considered as marketing or an offer to the public in Denmark.

### **NOTICE TO PROSPECTIVE INVESTORS IN DUBAI**

This statement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority.

This statement is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person.



The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it.

The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities.

If you do not understand the contents of this document you should consult an authorised financial adviser.

### **NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA**

This offering memorandum has been prepared on the basis that all offers of the securities will be made pursuant to an exemption under Article 3 of Directive 2003/7 1/EC (the “Prospectus Directive”), as implemented in member states of the European Economic Area (the “EEA”), from the requirement to produce a prospectus for offers of the securities. Accordingly, any person making or intending to make any offer within the EEA of the securities should only do so in circumstances in which no obligation arises for the issuer or any of the initial purchasers to produce a prospectus for such offer. Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the securities contemplated in this offering memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer of any securities which is the subject of the offering contemplated by this offering memorandum is not being made and will not be made to the public in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than Euro 43,000,000, and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the securities shall require the issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of securities to the public” in relation to the securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase the securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/7 1/BC and includes any relevant implementing measure in each Relevant Member State.

### **NOTICE TO RESIDENTS OF FRANCE**

The securities have not been offered or sold and will not be offered or sold, directly or indirectly, by way of a public offer in France (Offre au Public, as defined in articles L. 411-1, of the Code Monétaire et Financier). The securities may only be subscribed for or held by qualified investors (Investisseurs Qualifiés), as defined by articles L. 411-2, d. 411-1 and d. 411-2 of the Code Monétaire et Financier,.

This memorandum is furnished to potential qualified investors solely for their information and may not be reproduced or redistributed to any other person. It is strictly confidential and is solely destined for qualified investors to which it was initially supplied. This memorandum does not constitute an offer or invitation to subscribe for or to purchase any securities and neither this memorandum nor anything herein shall form the basis of any contract or commitment whatsoever.

This memorandum or any other material relating to the securities may not be distributed to the public in France or used in connection with any offer for subscription or sale of securities in France other than in accordance with articles L. 411-2, d. 411-1 and d. 411-2 of the code Monétaire et Financier. This memorandum has not been submitted to the

“Autorité des Marchés Financiers” for approval and does not constitute an offer for sale or subscription of securities. Any contact with potential qualified investors in France does not and will not constitute financial and banking solicitation (Démarchage Bancaire et Financier) as defined in articles l. 341-1 et seq. Of the code Monétaire et Financier.

#### **NOTICE TO PROSPECTIVE INVESTORS IN GERMANY**

The securities have not been, will not be and may not be offered, promoted or sold, either directly or indirectly, in Germany by way of an offer to the public within the meaning of section 2 No. 4 of the Securities Prospectus Act (Wertpapierprospektgesetz). The securities may only be offered to, sold to, subscribed for or held by qualified investors within the meaning of section 2 No. 6 of the Securities Prospectus Act or, if applicable, any person in Germany whose professional or commercial activities involve them in the acquiring or disposing of investments within the meaning of section 8f subsection 2 No. 4 of the Sales Prospectus Act (Verkaufprospektgesetz) either as principal or agent.

This document does not constitute an offer to subscribe for or buy any of the securities offered hereby to any person to whom it is unlawful to make such offer or solicitation in Germany. This document is given to potential investors solely for their information and may not be distributed to any other person. It is confidential and solely targeted at the recipients, i.e. qualified investors within the meaning of section 2 No. 6 of the Securities Prospectus Act, to which it has been initially supplied.

#### **NOTICE TO RESIDENTS OF HONG KONG**

The securities have not been authorised by the securities and futures commission in Hong Kong for public offering in Hong Kong, nor has a copy of this memorandum been registered with the registrar of companies in Hong Kong.

The securities may not be offered or sold by means of any document other than (i) in circumstances which do not constitute, or form part of, an offer to the public within the meaning of the companies ordinance (Cap.32 of the laws of Hong Kong), or (ii) to “professional investors” within the meaning of the securities and futures ordinance (Cap.571 of the laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the companies ordinance (Cap.32 of the laws of Hong Kong), and that no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the securities which are or are intended to be sold or otherwise disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the securities and futures ordinance (cap. 571 of the laws of Hong Kong) and any rules made thereunder.

#### **NOTICE TO RESIDENTS OF JAPAN**

The securities have not been and will not be registered under the financial instruments and exchange law of Japan (law no. 25 of 1948, as amended, the “FIEL”). The securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **NOTICE TO PROSPECTIVE INVESTORS IN KOREA**

The securities have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the “FSCMA”) and the securities have been and will be offered in Korea as a private placement under the FSCMA. None of the securities may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the “FETL”). For a period of one year from the issue date of the securities, the denomination of the securities may not be sub-divided. Furthermore, the purchaser

of the securities shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the securities.

Each underwriter will represent and agree that it has not offered, sold or delivered the securities directly or indirectly to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea and will not offer, sell or deliver the securities directly or indirectly to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FSCMA, the FETL and other relevant laws and regulations of Korea.

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS**

1. In accordance with the Dutch Financial Supervision Act (“Wet op het Financieel Toezicht” or “Wft”) and the Wft Exemptions Regulation (in Dutch: “Vrijstellingsregeling Wft”) a straight forward offering of the securities to the public in the Netherlands requires publication of a prospectus that is duly approved by the competent Dutch authority (i.e. Netherlands Authority for the Financial Markets, in Dutch: “Autoriteit Financiële Markten” or “AFM”) or by a competent authority of another European Member State, unless:
  - (a) the securities are offered exclusively to qualified investors as defined in the Wft; and/or
  - (b) the securities are offered to less than 100 people, not being qualified investors as defined in the Wft; and/or
  - (c) the securities are offered in minimum lots of EUR 50,000 in terms of nominal value or subscription price; and/or
  - (d) the total consideration value of the offering of securities involves a total amount of less than EUR 100,000 calculated over a 12-month-period; and/or
  - (e) the offering of securities forms part of an offer under which the total consideration value of the offer, calculated over a period of twelve months, does not exceed EUR 2.5 million, provided that in all relevant documentation and advertisements the offeror mentions that the offer in question is exempted from the statutory requirement to publish a prospectus; and/or
  - (f) the securities are offered to investors, not being qualified investors, who have concluded a written mandate agreement (“schriftelijke overeenkomst van lastgeving”) with an asset manager entitled to provide investment services under the law of the Netherlands and who is entitled in terms of that agreement to undertake or realise transactions at his own discretion without taking orders from or consulting with the investors who granted the mandate.
2. In light of the above, the securities that are offered to you without publication of a prospectus that is duly approved by the AFM or by a competent authority of another European Member State shall not be deemed to be in violation of the Wft and the Wft Exemption Regulation, if and insofar as:
  - (a) you are a qualified investor as defined in the Wft; and /or
  - (b) you are not a qualified investor as defined in the Wft, but you have concluded a written mandate agreement (“schriftelijke overeenkomst van lastgeving”) with an asset manager entitled to provide investment services under the law of the Netherlands and who is entitled in terms of that agreement to undertake or realise transactions in the securities at his own discretion without being required to take orders from or consult with you; and/or
  - (c) you invest at least EUR 50,000 in the acquisition of the securities.
3. The offering of securities is only aimed at, directed and made to prospective investors in The Netherlands who fall within the scope of par. 2 above and, therefore, any response to an offer of securities made by an

investor that does not fall within the scope of par. 2 above shall not be deemed to constitute nor imply acceptance of the offer and the offeror shall in that case not be held to sell the securities to that investor.

4. This notice is furnished to prospective investors in The Netherlands only in connection with this Offering Circular and is solely for their information. This opinion is not to be used, circulated, quoted or otherwise relied upon by any other person or entity or, for any purpose.

#### **NOTICE TO PROSPECTIVE INVESTORS IN NEW ZEALAND**

No action has been taken to authorize the offer of any of the securities to the public in New Zealand. Accordingly, the securities may not be offered or sold, or re-offered or resold, and this memorandum or any other material in connection with the securities may not be issued, circulated, delivered or distributed, in New Zealand, either directly or indirectly, other than to:

- (a) persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money;
- (b) persons who are each required to pay a minimum subscription price of at least \$500,000 for the securities before the allotment of those securities;
- (c) persons who have each, in a single transaction, previously paid the issuer of the current securities a minimum subscription price of at least \$500,000 for other securities issued by the same entity before the allotment of such other securities and provided that the offer of the current securities is made within 18 months of the date of the first allotment of the previous securities; or
- (d) persons who are “eligible persons” (as defined in Section 5(2CC) of the Securities Act 1978 (NZ)),

in each case as interpreted in accordance with the Securities Act 1978 (NZ) and the laws of New Zealand.

All persons into whose possession this material may come must inform themselves about and strictly observe the restrictions detailed in the preceding sentence.

This memorandum is not a New Zealand registered prospectus or investment statement, the content of which is prescribed by the Securities Act 1978 (NZ) and other laws, and does not contain the information that such documents would be required to contain.

#### **NOTICE TO PROSPECTIVE INVESTORS IN NORWAY**

The securities have not and will not be offered or sold, directly or indirectly, to any person in the Norway, other than to legal and physical persons deemed to be professional investors as further defined in Section 7-1 of the Norwegian Regulation of Securities Trading (“the Regulation”).

Professional investors are categorized as:

- (i) Legal entities that are deemed to be professional investors without further requirements, cf. Section 7-1 (1) of the Regulation,
- (ii) Legal and physical persons that must be registered with the competent authority responsible for inspecting prospectuses in order to be deemed professional investors, cf. Section 7-1 (2) and (3) of the Regulation.

This memorandum is furnished to potential investors solely for their information and may not be reproduced or redistributed to any other person. It is strictly confidential and is solely destined for persons or institutions to which it was initially supplied. This memorandum does not constitute an offer or invitation to subscribe for or to purchase any securities. Neither this memorandum nor anything herein shall form the basis of any contract or commitment whatsoever.

This memorandum has not been submitted to the Oslo Stock Exchange / the Norwegian Financial supervisory authority for approval.

Investment services, including offering and subscription of securities, can only be made through investment firms authorized by the Financial Supervisory Authority of Norway, cf. the Norwegian Securities Trading Act chapter 9. The issuer reserves its rights, at its sole discretion, to reject any subscription made through non-authorized investment firms.

## **SELLING RESTRICTIONS FOR OFFER OF SECURITIES IN SINGAPORE TO ACCREDITED INVESTORS AND INSTITUTIONAL INVESTORS**

Neither this document nor any other document or material in connection with any offer of the securities has been or will be lodged or registered as a prospectus with the Monetary Authority of Singapore (MAS) under the Securities and Futures Act (Cap.289) of Singapore (SFA). Accordingly, MAS assumes no responsibility for the contents of this document. This document is not a prospectus as defined in the SFA and statutory liability under the SFA in relation to the contents of prospectuses would not apply.

This document and any other documents or materials in connection with this offer and the securities may not be directly or indirectly issued, circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the SFA; (ii) to a relevant person (as defined in section 275(2) of the SFA) pursuant to section 275(1) of the SFA; (iii) to any person pursuant to the conditions of section 275(1A) of the SFA; or (iv) otherwise pursuant to, and in accordance with, the conditions of any other applicable provisions of the SFA.

Any subsequent offers in Singapore of securities acquired pursuant to an initial offer made in reliance on an exemption under section 274 of the SFA or section 275 of the SFA may only be made, pursuant to the requirements of section 276 of the SFA, for the initial six month period after such acquisition to persons who are institutional investors (as defined in section 4A of the SFA) or to accredited investors and certain other persons (as set out in section 275 of the SFA). Any transfer after such initial six month period in Singapore shall be made, pursuant to the requirements of section 257 of the SFA, in reliance on any applicable exemption under Subdivision (4) of Division 1 of Part XIII of the SFA.

In addition to the above, pursuant to the requirements of section 276(3) of the SFA, where the securities are acquired pursuant to an offer made in reliance on the exemption under section 275 of the SFA by a corporation (other than a corporation that is an accredited investor (as defined in section 4A of the SFA)) whose sole business is to hold investments and the entire share capital of which is owned by one or more individuals each of whom is an accredited investor (as defined in section 4A of the SFA), securities of such corporation shall not be transferred within 6 months after the corporation has acquired the securities pursuant to an offer made in reliance on the exemption under section 275 of the SFA unless that transfer is made only to institutional investors (as defined section 4A of the SFA) or relevant persons (as defined in section 275(2) of the SFA); or arises from an offer referred to in section 275(1A) of the SFA; or no consideration is or will be given for the transfer; or the transfer is by operation of law. This restriction does not apply to securities previously made in or accompanied by a prospectus and which are of the same class as other securities of a corporation listed on the Singapore Exchange Securities Trading Limited.

Pursuant to the requirements of section 276(4) of the SFA, where the securities are acquired pursuant to an offer made in reliance on the exemption under section 275 of the SFA for a trust (other than a trust the trustee of which is an accredited investor (as defined in section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor (as defined in section 4A of the SFA), the beneficiaries' rights and interest (howsoever described) in the trust shall not be transferred within 6 months after the securities are acquired for the trust pursuant to an offer made in reliance on the exemption under section 275 of the SFA unless that transfer is made only to institutional investors (as defined in section 4A of the SFA) or relevant persons (as defined in section 275(2) of the SFA); or arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets; or no consideration is or will be given for the transfer; or the transfer is by operation of law. This restriction does not apply to securities previously made in or accompanied by a prospectus and which are of the same class as other securities of a corporation listed on the Singapore Exchange Securities Trading Limited.



## **NOTICE TO SWEDISH INVESTORS**

This offering document has not been, and will not be, registered with or approved by the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*). Accordingly, this offering document is not intended for and may not be made available to the public in Sweden. Nor may the securities otherwise be marketed and offered for sale, other than under circumstances that are deemed not to be an offer to the public in Sweden under the Swedish Financial Instruments Trading Act (1991:980). Notwithstanding the above, if the offer is deemed as an offer to the public in Sweden, please note that the offer is directed solely to qualified investors.

## **NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND**

This memorandum together with the any accompanying documents does not constitute an issue prospectus pursuant to Art. 1156 and Art. 652a of the Swiss Federal Code of Obligations. The securities may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors. This memorandum together with any accompanying documents and any other supplement hereto are personal to each offeree and do not constitute an offer to any other person. This memorandum together with any accompanying documents may only be used by those persons to whom they have been distributed in connection with the offering of the securities and may neither be copied nor directly or indirectly be distributed nor be made available to other persons without the express prior written consent of the issuer.

## **NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN**

The offer of the securities has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations of Taiwan and the securities, including any copy of this document or any other documents relating to the securities, may not be offered, sold, delivered or distributed within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires the prior registration with or approval of the Financial Supervisory Commission of Taiwan. Taiwan investors who subscribe and purchase the securities shall comply with all relevant securities, tax and foreign exchange laws and regulations in effect in Taiwan.

## **NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF THAILAND**

### **Warnings:**

Prior to making an investment decision, investors should exercise their own judgment when considering information relating to a party issuing securities or bonds as well as the terms and conditions of the securities or bonds, including the suitability of such securities or bonds for investment and their relevant risk exposure. Nothing in the prospectus should be read to represent or even suggest that the Securities and Exchange Commission or the Office of the Securities and Exchange Commission have recommended investment in the offered securities or bonds; nor does the prospectus contain any assurance in relation to the value or returns on the offered securities or bonds; nor has the Securities and Exchange Commission or the Office of the Securities and Exchange Commission certified the accuracy and completeness of information contained in the prospectus. The liability for certification of the accuracy and completeness of information contained in the prospectus is vested in the offeror of the securities or bonds.

If the prospectus contains any false statements or omits to state any material information which should have been disclosed, the securities or bond holders shall be entitled to claim damages from the securities or bond offeror or the securities or bond owners pursuant to section 82 of the Securities and Exchange Act B.E. 2535 (1992) within one year from the date on which the fact that this prospectus contained false information becomes known or should have been known, but not exceeding two years from the date the prospectus was delivered to the bond or securities holders.

### **Risks and Restrictions:**

In respect of investing in securities or bonds offered in Thailand by a foreign offeror, investors shall be entitled to rights and protections similar in nature to those provided by any foreign jurisdiction to investors making direct investments in the securities or bonds offered. Accordingly, investors are strongly encouraged to review and update themselves on the



pertinent laws and regulations of the foreign offeror's home jurisdiction and of any jurisdiction where the securities or bonds of the foreign offeror are traded on an exchange.

**NOTICE TO PROSPECTIVE INVESTORS IN  
THE UNITED ARAB EMIRATES**

The documents have not been reviewed, approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This document is strictly private and confidential and has not been reviewed, deposited or registered with any licensing authority or governmental agency in the United Arab Emirates, and is being issued to a limited number of institutional or private investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. The securities may not be offered or sold directly or indirectly to the public in the United Arab Emirates.

**NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

This offering memorandum is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

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## 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, dated June 4, 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”):

\$614,405,000 Future Tax Secured Taxable Subordinate Bonds (Build America Bonds), Fiscal 2011 Subseries A-1 (the “Subseries A-1 Bonds”);

\$147,060,000 Future Tax Secured Taxable Subordinate Bonds (Qualified School Construction Bonds), Fiscal 2011 Subseries A-2 (the “Subseries A-2 Bonds”); and

\$138,535,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2011 Subseries A-3 (the “Subseries A-3 Bonds” and, together with the Subseries A-1 Bonds and the Subseries A-2 Bonds, the “Series 2011 A Fixed Rate Bonds”).

In addition to the Series 2011 A Fixed Rate Bonds, the Authority expects to issue \$100,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2011 Subseries A-4 (the “Adjustable Rate Bonds”). The Adjustable Rate Bonds will not be offered to the public and will be sold by the Authority directly to Wells Fargo Bank, National Association. The Series 2011 A Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the “Series 2011 A Bonds”. The Series 2011 A 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 2011 A Bonds will be issued as Parity Debt subordinate to Senior Debt Service and operating expenses of the Authority. The Series 2011 A Bonds will be issued on a parity with the Authority’s Recovery Obligations and Subordinate Bonds issued on a parity with Recovery Obligations (together, “Parity Debt”). See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS.”

The Subseries A-1 Bonds will be issued as “Build America Bonds” for which the Authority will elect to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the Authority on the Subseries A-1 Bonds. 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 Series 2011 A Bonds. See “SECTION IV: THE SERIES 2011 A FIXED RATE BONDS.”

The Offering.....	The Series 2011 A Fixed Rate 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 Adjustable Rate Bonds will not be offered to the public and will be sold by the Authority directly to Wells Fargo Bank, National Association.
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 for discrete capital purposes and the proceeds of the Subseries A-3 Bonds will be used to finance general City capital expenditures. The proceeds of the Subseries A-2 Bonds will be used to finance the costs of the construction, rehabilitation or repair of public school facilities, including the furnishing and equipping of such school facilities, or the acquisition of land on which such school facilities are located. Certain expenses of the Authority incurred in connection with the issuance of the Series 2011 A Bonds will be paid from the proceeds of the Series 2011 A Bonds.
Tax Revenues .....	The Series 2011 A 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 \$6.7 billion in fiscal year 2009. Personal Income Tax Revenues are projected to be approximately \$7.0 billion, \$7.6 billion, \$8.0 billion, \$8.3 billion and \$8.7 billion in fiscal years 2010 through 2014, 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 \$4.7 billion in fiscal year 2009. Sales Tax Revenues are projected to be approximately \$5.0 billion, \$5.2 billion, \$5.4 billion, \$5.7 billion and \$6.0 billion in fiscal years 2010 through 2014, 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 1, 2010, the City’s and the Authority’s combined debt-incurring capacity was approximately \$26.3 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 the 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 \$15,835,255,000 of Future Tax Secured Bonds consisting of \$6,587,970,000 of Senior Bonds (including Bonds that have been economically defeased and the maturity value of capital appreciation bonds) and \$9,247,285,000 of Parity Debt (including \$1,466,200,000 of Recovery Obligations), which is subordinate to Senior Bonds. Of such Senior Bonds, \$1,049,470,000 are variable rate bonds. Of such Parity Debt, \$2,106,100,000 are variable rate bonds (including \$1,385,200,000 of variable rate Recovery 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 \$4,201,300,000 of Building Aid Revenue Bonds and expects to issue additional Building Aid Revenue Bonds in the future. 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 2011 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, 2011. The record date for payment of interest on the Series 2011 A Fixed Rate Bonds is the fifteenth day of the calendar month immediately preceding the interest payment date.

Principal of the Series 2011 A Fixed Rate Bonds will be due as shown on the inside cover page and herein.

Principal of and interest on the Series 2011 A 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-1 Bonds maturing on August 1, 2030 and August 1, 2037 are subject to mandatory redemption, prior to maturity as described herein. See “SECTION IV: THE SERIES 2011 A FIXED RATE BONDS—Mandatory Redemption—*Term Bond Mandatory Redemption.*”

The Subseries A-2 Bonds (the “Qualified School Construction Bonds”) are subject to extraordinary mandatory redemption under certain circumstances as described herein. See “SECTION IV: THE SERIES 2011 A FIXED RATE BONDS—Mandatory Redemption—*Extraordinary Mandatory Redemption of the Qualified School Construction Bonds.*”

Optional Redemption ..... The Subseries A-1 Bonds (the “Build America Bonds”) and the Qualified School Construction 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 2011 A FIXED RATE BONDS—Optional Redemption—*Make-Whole Optional Redemption.*”

The Qualified School Construction Bonds are subject to extraordinary optional redemption prior to their stated maturity date at the option of the Authority in whole or in part on any date as described herein. See “SECTION IV: THE SERIES 2011 A FIXED RATE BONDS—*Extraordinary Optional Redemption of Qualified School Construction Bonds.*”

The Build America 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 2011 A FIXED RATE BONDS—Optional Redemption—*Extraordinary Optional Redemption of Build America Bonds.*”

The Build America Bonds maturing on August 1, 2030, 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, 2020 as described herein. See “SECTION IV: THE SERIES 2011 A FIXED RATE BONDS—Optional Redemption—*Optional Redemption at Par of Build America Bonds*”

The Subseries A-3 Bonds maturing on August 1, 2025 and August 1, 2026 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, 2020 as described herein. See “SECTION IV: THE SERIES 2011 A FIXED RATE BONDS—Optional Redemption—*Optional Redemption at Par of Subseries A-3 Bonds*”

Form and Denomination..... The Series 2011 A 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”).

The Series 2011 A Fixed Rate Bonds will be denominated in principal amounts of \$5,000 and integral multiples thereof.

Indenture..... 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.”

Financing Agreement ..... 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.

Collection Account..... 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.

All Tax Revenues received by the Authority shall be promptly deposited into the Tax Revenue Subaccount of the Collection Account.

Bond Account..... The Bond Account is held by the Trustee in accordance with the terms of the Indenture. The Trustee shall deposit amounts from the Tax 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 2011 A 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: first, to the Bond Account to pay Senior Debt Service in accordance with the Retention Procedures described in the paragraph below; second, 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; third, 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 2011 A 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; 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.

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 ..... Principal of the Series 2011 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.

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 2011 A 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, 2015, and each August 1 thereafter until maturity of the Subseries A-2 Bonds.

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 2011 A Fixed Rate Bonds from the designated source of Revenues.

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 2011 A FIXED RATE BONDS—Defeasance.”

Tax Matters ..... In the opinion of Sidley Austin LLP, Bond Counsel to the Authority, interest on the Series 2011 A 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-3 Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Subseries A-1 Bonds and the Subseries A-2 Bonds will be includable in the gross income of the owners thereof for federal income tax purposes. See “SECTION VII: TAX MATTERS.”

Ratings..... The Series 2011 A 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”).

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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 Authority:

\$614,405,000 Future Tax Secured Taxable Subordinate Bonds (Build America Bonds), Fiscal 2011 Subseries A-1 (the “Subseries A-1 Bonds”);

\$147,060,000 Future Tax Secured Taxable Subordinate Bonds (Qualified School Construction Bonds), Fiscal 2011 Subseries A-2 (the “Subseries A-2 Bonds”); and

\$138,535,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2011 Subseries A-3 (the “Subseries A-3 Bonds” and, together with the Subseries A-1 Bonds and the Subseries A-2 Bonds, the “Series 2011 A Fixed Rate Bonds”).

In addition to the Series 2011 A Fixed Rate Bonds, the Authority expects to issue its \$100,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2011 Subseries A-4 (the “Adjustable Rate Bonds”). The Adjustable Rate Bonds will not be offered to the public and will be sold by the Authority directly to Wells Fargo Bank, National Association. The Series 2011 A Fixed Rate Bonds and the Adjustable Rate Bonds are sometimes collectively referred to herein as the “Series 2011 A Bonds.”

The Series 2011 A 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 2011 A Bonds will be issued as Parity Debt subordinate to Senior Debt Service and operating expenses of the Authority. The Series 2011 A Bonds will be issued on a parity with the Authority’s Recovery Obligations and Subordinate Bonds issued on a parity with Recovery Obligations (together, “Parity Debt”). Interest on and principal of the Series 2011 A 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 2011 A Bonds are being issued pursuant to the Act and the Amended and Restated Original Indenture, dated June 4, 2010, as amended and 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 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 2011 A 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 2011 A Bonds are to be issued as Parity Debt. Interest on and principal of the Series 2011 A 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 2011 A 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 2011 A 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 2011 A Bonds other than the Tax Revenues. The Series 2011 A Bonds will not be guaranteed by the City or the State. Consequently, the holders of the Series 2011 A 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 the 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 2011 A Bonds.

*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 2011 A 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 1994 to 2009 and forecasted collections of Tax Revenues for fiscal years 2010 through and including 2014 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 July 13, 2010 (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>
1994.....	\$ 5,702	2005.....	\$ 10,873
1995.....	6,202	2006.....	11,756
1996.....	6,533	2007.....	12,375
1997.....	7,048	2008.....	13,696
1998.....	7,816	2009 <sup>(1)</sup> .....	11,431
1999.....	8,639	2010 <sup>(2)</sup> .....	11,999
2000.....	8,961	2011 <sup>(2)</sup> .....	12,765
2001.....	9,485	2012 <sup>(2)</sup> .....	13,366
2002.....	7,908	2013 <sup>(2)</sup> .....	14,007
2003.....	7,785	2014 <sup>(2)</sup> .....	14,737
2004.....	9,037		

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

<sup>(1)</sup> 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.

<sup>(2)</sup> Forecast. Figures do not reflect deductions for State Oversight Retention Requirements.

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 maximum annual debt service and 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)<sup>(1)</sup></u>	<u>Pro Forma Coverage<sup>(2)</sup></u>	<u>Actual Coverage<sup>(3)</sup></u>
2000 .....	\$ 8,961	5.32x	36.26x
2001 .....	9,485	5.63	23.28
2002 .....	7,908	4.69	17.55
2003 .....	7,785	4.62	14.50
2004 .....	9,037	5.36	12.33
2005 .....	10,873	6.45	12.12
2006 .....	11,756	6.98	12.43
2007 .....	12,375	7.34	13.79
2008 .....	13,696	8.13	12.45
2009 .....	11,431 <sup>(4)</sup>	6.78	10.92

<sup>(1)</sup> Source: NYC OMB. Figures shown are calculated on a cash basis.

<sup>(2)</sup> Calculated based on maximum annual debt service of \$1,684,884,006 on Outstanding Future Tax Secured Bonds including Senior Bonds and Parity Debt (assuming that floating rate bonds bear interest at their maximum rate).

<sup>(3)</sup> Coverage is based on amounts of Tax Revenues retained by the Authority and is calculated without giving effect to prepayments of Authority debt service with grants from the City.

<sup>(4)</sup> 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. Figure does not reflect deductions for State Oversight Retention Requirements.

The following table shows projected debt service coverage based on projected issuances of Future Tax Secured Bonds in fiscal years 2010 through 2014.

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

<u>Fiscal Year</u>	<u>Tax Revenues (millions)<sup>(1)</sup></u>	<u>Coverage<sup>(2)</sup></u>
2010 .....	\$11,999	9.85x
2011 .....	12,765	10.31
2012 .....	13,366	8.10
2013 .....	14,007	7.54
2014 .....	14,737	7.27

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

<sup>(2)</sup> Calculated based on bonds issued in fiscal year 2010 and a projected debt issuance schedule 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 2014. Fiscal 2003 Series A Bonds maturing after 2014 are assumed to be replaced by variable rate bonds at an assumed rate of 5% after November 1, 2011. Fiscal 2003 Series B Bonds maturing after 2015 are assumed to be replaced by variable rate bonds at an assumed rate of 5% after February 1, 2011. Projections do not reflect federal subsidy of 35% of interest on Build America Bonds or federal subsidy with respect to 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 14.6% of the annual collections over the last five fiscal years. 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, that has averaged 0.41% of the annual collections over the last five fiscal years, an amount necessary to provide at least 150% of maximum annual debt service on the Authority’s Outstanding Bonds. State Oversight Retention Requirements are expected to be approximately \$7 million in fiscal year 2011. 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 been reduced or have expired. 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 was replaced with the Base Rate and the 14% Surcharge. The Base Rate and the 14% Surcharge will remain in effect until their scheduled expiration on January 1, 2012. On January 1, 2012, 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 assume the extension of the 14% Surcharge and the Base Rate after 2011. If the 14% Surcharge is not extended prior to its expiration, Personal Income Tax Revenues (and Tax Revenues) will be reduced by an estimated \$370 million in fiscal year 2012. 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, Personal Income Tax Revenues (and Tax Revenues) would be reduced by an estimated \$1.8 billion in fiscal year 2012, \$5.0 billion in fiscal year 2013, and \$5.3 billion in fiscal year 2014. In such an event, Tax Revenues are projected to exceed maximum annual debt service on Outstanding Senior Bonds and Parity Debt by an estimated \$9.9 billion in fiscal year 2012, \$7.3 billion in fiscal year 2013, and \$7.8 billion in fiscal year 2014.

Personal Income Tax Revenues were approximately \$130 million in fiscal year 1967. The following table shows Personal Income Tax Revenues for fiscal years 1994 through 2009 and forecasted Personal Income Tax Revenues for fiscal years 2010 through 2014.

**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>
1994.....	\$3,564	2005.....	\$6,503
1995.....	3,585	2006.....	7,329
1996.....	3,907	2007.....	7,748
1997.....	4,376	2008.....	8,810
1998.....	5,147	2009 <sup>(1)</sup> .....	6,685
1999.....	5,397	2010 <sup>(2)</sup> .....	6,967
2000.....	5,528	2011 <sup>(2)</sup> .....	7,602
2001.....	5,771	2012 <sup>(2)</sup> .....	7,991
2002.....	4,500	2013 <sup>(2)</sup> .....	8,322
2003.....	4,495	2014 <sup>(2)</sup> .....	8,739
2004.....	5,552		

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

<sup>(1)</sup> 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.

<sup>(2)</sup> Forecast.

For fiscal years 1999 through 2009, an average of 75.9% of Personal Income Tax Revenues was collected through mandatory withholding by employers as a percentage of wage income paid to employees. For fiscal year 2009, \$5.7 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 1999 through 2009, approximately 17.4% of Personal Income Tax Revenues was collected from taxpayers through quarterly installment payments on non-wage income and self-employment earnings, and approximately 6.7% 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 1994 through 2009 and forecasted Sales Tax Revenues for fiscal years 2010 through 2014.

### 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>
1994.....	\$2,138	2005.....	\$4,370
1995.....	2,617	2006.....	4,427
1996.....	2,627	2007.....	4,627
1997.....	2,671	2008.....	4,886
1998.....	2,669	2009.....	4,746
1999.....	3,242	2010 <sup>(1)</sup> .....	5,032
2000.....	3,433	2011 <sup>(1)</sup> .....	5,163
2001.....	3,714	2012 <sup>(1)</sup> .....	5,375
2002.....	3,408	2013 <sup>(1)</sup> .....	5,685
2003.....	3,289	2014 <sup>(1)</sup> .....	5,998
2004.....	3,485		

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

<sup>(1)</sup> Forecast. Figures do not reflect deductions for State Oversight Retention Requirements.

### 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.

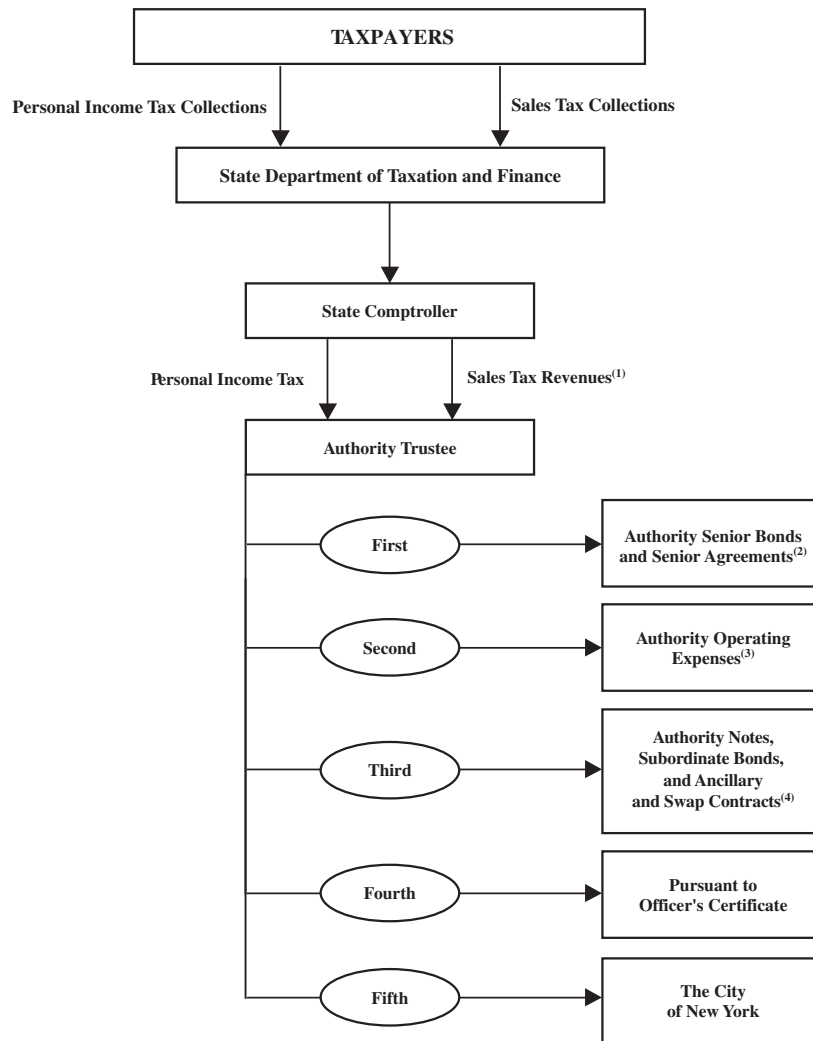
Future Tax Secured Bonds issued prior to November 16, 2006 (the “Pre-07 S-1 Bonds”), the date of the first issuance of the Authority’s Building Aid Revenue Bonds, will be payable in the first instance from Tax



Revenues and solely to the extent that Tax Revenues are insufficient, from State Building Aid. Future Tax Secured Bonds issued after November 16, 2006 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 & 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.

## **Sinking Fund**

Principal of the Series 2011 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.

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 2011 A 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, 2015, and each August 1 thereafter until maturity of the Subseries A-2 Bonds.

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 2011 A Bonds from the designated source of Revenues.

### **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 believed to be the latest available but, in many cases, do not reflect the economic downturn that has impacted the City commencing in 2007. 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. The City is also the location of many major 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. The Financial Plan assumes that a decrease in economic activity which began in the second half of calendar year 2007 persisted through the first half of 2010 and that a gradual pickup in economic activity will occur in the second half of 2010 and in 2011. The Financial Plan also assumes total private sector job losses of 38,000 in 2010 and a gain of 13,000 in 2011 and assumes an expansion of wage earnings from both the private and public sectors of 2.5% for 2010 and 4.4% for 2011.

## 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.

The following table provides information concerning the City's population.

### 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
2009.....	8,391,881 <sup>(1)</sup>

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

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

<sup>(1)</sup> Estimate.

## 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 1998 and 2008, total taxable sales volume grew steadily at a compounded growth rate averaging over 3.5%.

The following table illustrates the volume of sales and purchases subject to the Sales Tax from 1998 to 2008.

### TAXABLE SALES AND PURCHASES SUBJECT TO SALES TAX

<u>Year<sup>(1)</sup></u>	<u>Retail<sup>(2)</sup></u> <u>(billions)</u>	<u>Utility &amp;</u> <u>Communication</u> <u>Sales<sup>(3)</sup></u> <u>(billions)</u>	<u>Services<sup>(4)</sup></u> <u>(billions)</u>	<u>Manufacturing</u> <u>(billions)</u>	<u>Other<sup>(5)</sup></u> <u>(billions)</u>	<u>Total</u> <u>(billions)</u>
1998.....	\$ 33.4	\$ 9.8	\$ 14.8	\$ 4.2	\$ 9.7	\$ 71.9
1999.....	35.0	9.6	16.1	4.2	9.6	74.5
2000 <sup>(6)</sup> .....	29.9	9.8	19.4	2.1	15.4	76.6
2001 <sup>(6)</sup> .....	25.1	11.3	21.5	2.2	19.0	79.1
2002 <sup>(6)</sup> .....	25.6	11.9	20.7	2.0	15.2	75.5
2003 <sup>(6)</sup> .....	26.1	11.4	21.0	1.9	14.8	75.2
2004 <sup>(6)</sup> .....	32.3	11.6	21.7	1.9	14.8	82.3
2005 <sup>(6)</sup> .....	36.5	12.0	24.1	2.1	16.2	90.9
2006 <sup>(6)</sup> .....	35.9	13.2	26.3	2.2	17.9	95.5
2007 <sup>(6)</sup> .....	33.4	12.8	28.1	2.4	19.4	96.1
2008 <sup>(6)</sup> .....	33.1	13.5	31.0	2.6	21.6	101.8

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

Note: Totals may not add due to rounding.

- (1) For 1998 and 1999, the yearly data is for the period from September 1 of the year prior to the listed year through August 31 of the listed year. For 2000 through 2008, 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 electric, gas and communication.
- (4) Services include business services, hotels, personal services, auto repair and other services.
- (5) Other sales include construction, wholesale trade and others. Beginning in 2000, Other sales also include arts, entertainment and recreation.
- (6) Prior to 2000, the sectors were classified according to the Standard Industrial Classification System. Beginning in 2000, the sectors are classified according to the North American Industry Classification System ("NAICS"). The definitions of certain categories have changed.

## Personal Income

Total personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, increased from 1998 to 2008. From 1998 to 2008, growth in personal income in the City averaged 5.3% while growth in personal income in the nation averaged 5.2%. After increasing by 8.9% in 2007, total personal income in the City increased by 3.0% in 2008. The following table sets forth information regarding personal income in the City from 1998 to 2008.

### PERSONAL INCOME<sup>(1)</sup>

<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>
1998 .....	\$ 260.5	\$ 33,146	\$ 27,258	121.6%
1999 .....	273.6	34,422	28,333	121.5
2000 .....	293.2	36,576	30,318	120.6
2001 .....	298.9	37,076	31,145	119.0
2002 .....	299.7	37,035	31,462	117.7
2003 .....	305.8	37,627	32,271	116.6
2004 .....	327.7	40,105	33,881	118.4
2005 .....	351.8	42,826	35,424	120.9
2006 .....	387.0	46,901	37,698	124.4
2007 .....	421.5	50,725	39,392	128.8
2008 .....	434.1	52,013	40,166	129.5

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

<sup>(1)</sup> 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.

## Sectoral Distribution of Employment and Earnings

In 2008, the City's service producing sectors provided approximately 3.0 million jobs and accounted for approximately 79% 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 2008, the employment share for the financial activities and professional and business services sectors was approximately 28% while the earnings share for those same sectors was approximately 50%. In the nation, those same service producing sectors accounted for only approximately 19% of employment and 25% of earnings in 2008. 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 and the nation's employment and earnings by sector for 2008 are set forth in the following table.

### SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS IN 2008<sup>(1)</sup>

	Employment		Earnings <sup>(2)</sup>	
	City	U.S.	City	U.S.
<b>Private Sector</b>				
<b>Goods-Producing Sectors</b>				
Mining.....	0.0%	0.6%	0.2%	1.2%
Construction.....	3.5	5.2	3.0	6.2
Manufacturing.....	<u>2.5</u>	<u>9.8</u>	<u>1.9</u>	<u>11.0</u>
<b>Total Goods-Producing</b> .....	6.0	15.6	5.1	18.3
<b>Service-Producing Sectors</b>				
Trade, Transportation and Utilities.....	15.1	19.2	8.4	15.9
Information.....	4.4	2.2	7.1	3.4
Financial Activities.....	12.3	6.0	30.2	9.3
Professional and Business Services.....	16.0	13.0	19.9	16.1
Education and Health Services.....	19.0	13.8	10.4	11.6
Leisure & Hospitality.....	8.2	9.8	4.4	4.2
Other Services.....	<u>4.2</u>	<u>4.0</u>	<u>3.0</u>	<u>3.8</u>
<b>Total Service-Producing</b> .....	<u>79.1</u>	<u>68.0</u>	<u>83.5</u>	<u>64.3</u>
<b>Total Private Sector</b> .....	85.1	83.5	89.8	82.9
<b>Government</b> <sup>(3)</sup> .....	14.9	16.5	10.2	17.1

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

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

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

<sup>(2)</sup> Includes the sum of wage and salary disbursements, other labor income, and proprietor's income. The latest information available is 2008 data.

<sup>(3)</sup> 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<sup>(1)</sup>

	Employment				Earnings <sup>(2)</sup>			
	1980		2000		1980		2000	
	City	U.S.	City	U.S.	City	U.S.	City	U.S.
<b>Private Sector</b>								
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
<b>Total Non-Manufacturing</b>	<u>69.3</u>	<u>59.6</u>	<u>78.1</u>	<u>70.3</u>	<u>71.8</u>	<u>56.9</u>	<u>83.2</u>	<u>67.3</u>
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
<b>Total Manufacturing</b> .....	<u>15.0</u>	<u>22.4</u>	<u>6.5</u>	<u>14.0</u>	<u>13.2</u>	<u>24.8</u>	<u>6.1</u>	<u>16.6</u>
<b>Total Private Sector</b> .....	84.3	82.0	84.7	84.3	85.2	82.1	89.8	84.6
<b>Government</b> <sup>(3)</sup> .....	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 U.S. Department of Labor, Bureau of Labor Statistics, and 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.

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

<sup>(2)</sup> Includes the sum of wage and salary disbursements, other labor income and proprietor's income. The latest information available for the City is 2000 data.

<sup>(3)</sup> Excludes military establishments.

## Employment Trends

The City is a leading center for the banking and securities industry, life insurance, communications, publishing, fashion design and retail fields. From 1989 to 1992, the City lost approximately 9% of its employment base. From 1992 to 2000, the City experienced significant private sector job growth with the addition of approximately 452,600 new private sector jobs (an average annual growth rate of approximately 2%). Between 2000 and 2003, the City lost 174,300 private sector jobs. From 2003 through 2008, the City fully recovered those jobs adding a total of 255,000 private sector jobs. In 2009, the City lost 107,800 private sector jobs. As of June 2010, total employment in the City was 3,696,100 compared to 3,691,400 in June 2009, an increase of approximately 0.1%. The table below shows the distribution of employment from 1999 to 2009.

### NEW YORK CITY EMPLOYMENT DISTRIBUTION

	Average Annual Employment (thousands)										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Goods-Producing Sectors</b>											
Construction .....	112	121	122	116	113	112	113	118	127	133	121
Manufacturing .....	187	177	156	139	127	121	114	106	101	96	83
<b>Service-Producing Sectors</b>											
Trade Transportation and Utilities .....	556	570	557	536	534	539	547	558	570	574	549
Information .....	173	187	200	177	164	160	163	165	165	167	161
Financial Activities .....	481	489	474	445	434	435	445	458	468	465	435
Professional and Business Services .....	553	587	582	550	537	542	556	572	593	605	573
Educational and Health services .....	604	615	627	646	658	665	679	695	705	719	734
Leisure and Hospitality .....	244	257	260	255	260	270	277	285	298	310	308
Other Services .....	142	147	149	150	149	151	153	154	158	161	160
<b>Total Private Sector</b> .....	<u>3,052</u>	<u>3,149</u>	<u>3,127</u>	<u>3,015</u>	<u>2,975</u>	<u>2,995</u>	<u>3,047</u>	<u>3,111</u>	<u>3,185</u>	<u>3,230</u>	<u>3,122</u>
<b>Government</b> .....	<u>567</u>	<u>569</u>	<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>565</u>
<b>Total</b> .....	<u>3,619</u>	<u>3,718</u>	<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>3,744</u>	<u>3,794</u>	<u>3,687</u>

Source: U.S. Department of Labor, Bureau of Labor Statistics. Data are presented using the NAICS.

Note: Totals may not add due to rounding.

## SECTION IV: THE SERIES 2011 A FIXED RATE BONDS

### General

The Series 2011 A Fixed Rate Bonds will be dated the date of 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 Series 2011 A Fixed Rate Bonds will be issued in book-entry only form. Interest on and principal of Series 2011 A 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 Series 2011 A 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.

### Designation of Bonds as “Build America Bonds”

The Authority intends to make irrevocable elections to treat the Subseries A-1 Bonds as “Build America Bonds” under Section 54AA of the Internal Revenue Code of 1986, as amended (the “Code”) for which it will receive, pursuant to Sections 54AA(g) and 6431 of the Code, a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the Authority on the Build America Bonds. **Such subsidy payment will not be pledged as security for the Build America Bonds.**

## Qualified School Construction Bonds

The Subseries A-2 Bonds will be issued as “Qualified School Construction Bonds” and as “Specified Tax Credit Bonds” under the provisions of the Recovery Act and the Hiring Incentives to Restore Employment Act of 2010 (the “HIRE Act”). 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 Qualified School Construction Bonds.**

The Authority intends to use the net proceeds of the Subseries A-2 Bonds to finance all or a portion of the construction, rehabilitation or repair of public school facilities or for the acquisition of land on which such a facility is to be constructed. 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>
2015	\$ 11,305,000
2016	11,310,000
2017	11,310,000
2018	11,310,000
2019	11,310,000
2020	11,310,000
2021	11,310,000
2022	11,310,000
2023	11,315,000
2024	11,315,000
2025	11,315,000
2026	11,315,000
2027	11,325,000*

\* Final deposit.

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, 2027, or (ii) are Term Bonds or Sinking Fund Bonds with mandatory redemption requirements or sinking fund requirements on or before August 1, 2027, 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.

## Mandatory Redemption

### *Term Bond Mandatory Redemption*

The Subseries A-1 Bonds maturing on August 1, 2030 and August 1, 2037 are term bonds subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, without premium, on the dates and in the amounts set forth below.

<u>August 1,</u>	<u>Principal Amount to be Redeemed</u>	
	<u>2030 Maturity</u>	<u>2037 Maturity</u>
2026	\$ 14,835,000	
2027	19,475,000	
2028	39,140,000	
2029	41,375,000	
2030	43,735,000*	
2031		\$ 46,235,000
2032		48,735,000
2033		51,370,000
2034		54,150,000
2035		57,080,000
2036		60,170,000
2037		60,100,000*

\* Stated maturity.

The Authority may apply or credit against any annual amount subject to mandatory redemption, the principal amount of any Series 2011 A Fixed Rate Bonds of the same Subseries and maturity that have been purchased or redeemed and not previously so applied or credited.

### *Extraordinary Mandatory Redemption of the Qualified School Construction Bonds*

The Code requires all of the proceeds of the Subseries A-2 Bonds (the “Qualified School Construction Bonds”) and investment earnings thereon to be expended within three years of the date of issue of the Qualified School Construction 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 Qualified School Construction 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 Qualified School Construction 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 Qualified School Construction Bonds or such amount as may be required to preserve the status of the Qualified School Construction Bonds as “qualified school construction bonds.”

## **Optional Redemption**

### *Make-Whole Optional Redemption*

The Subseries A-1 Bonds (the “Build America Bonds”) and the Qualified School Construction 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 redemption price equal to the greater of:

- (1) the issue price set forth on the inside cover page hereof (but not less than 100% of the principal amount) of such 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 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such 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 40 basis points;

plus, in each case, accrued interest on such 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.

### *Optional Redemption at Par of Build America Bonds*

The Subseries A-1 Bonds maturing on August 1, 2030 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, 2020, at a price of 100% of their principal amount plus accrued interest to the redemption date. The Authority may select amounts, maturities and interest rates for redemption in its sole discretion. On or after any redemption date, interest will cease to accrue on the Build America Bonds called for redemption. The Authority expects that such Build America Bonds escrowed to maturity in the future will remain subject to optional redemption by the Authority.

### *Optional Redemption at Par of Subseries A-3 Bonds*

The Subseries A-3 Bonds maturing on August 1, 2025 and August 1, 2026 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, 2020 at a price of 100% of their principal amount plus accrued interest to the redemption date. The Authority may select amounts, maturities and interest rates for redemption in its sole discretion. On or after any redemption date, interest will cease to accrue on the Subseries A-3 Bonds called for redemption. The Authority expects that such Subseries A-3 Bonds escrowed to maturity in the future will remain subject to optional redemption by the Authority.

*Extraordinary Optional Redemption of the Build America Bonds*

The Build America 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) the issue price set forth on the inside cover page hereof (but not less than 100% of the principal amount) of such Build America 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 Build America Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Build America Bonds are to be redeemed, discounted to the date on which such Build America 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 Build America Bonds to be redeemed on the redemption date.

An “Extraordinary Event” will have occurred with respect to Build America Bonds if Section 54AA or Section 6431 of the Code is modified, amended or interpreted in a manner pursuant to which the Authority’s 35% cash subsidy payment from the United States Treasury with respect to Build America Bonds is reduced or eliminated.

*Extraordinary Optional Redemption of the Qualified School Construction Bonds*

The Qualified School Construction 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) the issue price set forth on the inside cover page hereof (but not less than 100% of the principal amount) of such Qualified School Construction 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 Qualified School Construction Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Qualified School Construction Bonds are to be redeemed, discounted to the date on which such Qualified School Construction 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 Qualified School Construction Bonds to be redeemed on the redemption date.

An “Extraordinary Event” will have occurred with respect to Qualified School Construction 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 Qualified School Construction Bonds is reduced or eliminated.

## **Notice of Redemption; Selection of Bonds to be Redeemed**

Upon receipt of notice from the Authority of its election to redeem Series 2011 A Fixed Rate Bonds, the Trustee is to give notice of such redemption by mail to the Holders of Series 2011 A 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.

The particular maturities of Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

If the Series 2011 A Fixed Rate Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Bonds, if less than all of the Series 2011 A Fixed Rate Bonds of a maturity are called for prior redemption, the particular Series 2011 A Fixed Rate Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2011 A Fixed Rate Bonds are held in book-entry form, the selection for redemption of such Series 2011 A Fixed Rate Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2011 A Fixed Rate Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

**It is the Authority's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Authority nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Series 2011 A Fixed Rate Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2011 A Fixed Rate Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the Series 2011 A Fixed Rate Bonds will be selected for redemption, in accordance with DTC procedures, by lot. If the Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Bonds shall be allocated among the registered owners of such Bonds on a pro-rata basis.**

## **Defeasance**

The Series 2011 A 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 (including the Series 2011 A Fixed Rate Bonds and the Adjustable Rate Bonds expected to be issued concurrently with the issuance of the Series 2011 A Fixed Rate Bonds) during such period.

	Outstanding Future Tax Secured Bonds Debt Service		Series 2011 A Bonds Debt Service			Total Future Tax Secured Bonds Debt Service		
	Senior Debt Service <sup>(1)</sup>	Subordinate Debt Service <sup>(2)</sup>	Principal and Sinking Fund Installments <sup>(3)</sup>	Interest <sup>(4)</sup>	Total	Senior Debt Service <sup>(1)</sup>	Subordinate Debt Service <sup>(2)(3)(4)</sup>	Total
2011 .....	\$508,298,386	\$461,161,415		\$23,679,468	\$23,679,468	\$508,298,386	\$484,840,883	\$ 993,139,269
2012 .....	537,826,456	813,073,968		51,664,293	51,664,293	537,826,456	864,738,261	1,402,564,717
2013 .....	580,106,589	867,150,267	\$17,620,000	51,399,993	69,019,993	580,106,589	936,170,260	1,516,276,849
2014 .....	558,355,895	862,113,239	18,150,000	50,790,318	68,940,318	558,355,895	931,053,558	1,489,409,453
2015 .....	537,666,186	856,970,133	18,840,000	50,068,143	68,908,143	537,666,186	925,878,276	1,463,544,462
2016 .....	499,215,475	864,612,974	22,750,000	49,462,443	72,212,443	499,215,475	936,825,417	1,436,040,892
2017 .....	536,206,390	856,808,387	23,210,000	48,936,043	72,146,043	536,206,390	928,954,430	1,465,160,820
2018 .....	493,551,521	869,438,411	23,805,000	48,388,643	72,193,643	493,551,521	941,632,054	1,435,183,575
2019 .....	513,417,310	828,039,692	24,305,000	47,813,868	72,118,868	513,417,310	900,158,560	1,413,575,870
2020 .....	510,362,020	821,571,510	24,955,000	47,147,868	72,102,868	510,362,020	893,674,378	1,404,036,398
2021 .....	492,556,371	778,220,432	25,655,000	46,510,017	72,165,017	492,556,371	850,385,449	1,342,941,821
2022 .....	482,923,604	753,232,464	26,210,000	45,882,734	72,092,734	482,923,604	825,325,198	1,308,248,802
2023 .....	491,190,143	687,828,640	26,855,000	45,195,653	72,050,653	491,190,143	759,879,293	1,251,069,436
2024 .....	492,252,773	517,800,366	27,550,000	44,456,226	72,006,226	492,252,773	589,806,592	1,082,059,365
2025 .....	512,801,280	409,688,257	28,295,000	43,660,115	71,955,115	512,801,280	481,643,372	994,444,652
2026 .....	529,118,007	371,390,466	29,095,000	42,889,432	71,984,432	529,118,007	443,374,898	972,492,905
2027 .....	544,081,428	347,907,723	29,815,000	42,027,848	71,842,848	544,081,428	419,750,572	963,832,000
2028 .....	506,175,267	337,023,927	30,800,000	37,275,804	68,075,804	506,175,267	405,099,730	911,274,998
2029 .....	401,484,990	292,352,488	39,140,000	31,891,242	71,031,242	401,484,990	363,383,730	764,868,720
2030 .....	268,884,817	291,627,245	41,375,000	29,553,086	70,928,086	268,884,817	362,555,331	631,440,147
2031 .....	184,143,733	290,926,233	43,735,000	27,081,492	70,816,492	184,143,733	361,742,725	545,886,457
2032 .....	116,169,044	233,706,959	46,235,000	24,538,115	70,773,115	116,169,044	304,480,074	420,649,118
2033 .....	77,102,861	233,093,251	48,735,000	21,922,642	70,657,642	77,102,861	303,750,892	380,853,754
2034 .....	7,671,675	195,804,529	51,370,000	19,165,750	70,535,750	7,671,675	266,340,279	274,011,954
2035 .....		192,818,860	54,150,000	16,259,729	70,409,729		263,228,589	263,228,589
2036 .....		194,514,859	57,080,000	13,196,455	70,276,455		264,791,314	264,791,314
2037 .....		195,469,510	60,170,000	9,967,390	70,137,390		265,606,900	265,606,900
2038 .....		168,496,009	63,610,000	6,567,404	70,177,404		238,673,413	238,673,413
2039 .....		126,207,001	67,045,000	3,148,375	70,193,375		196,400,376	196,400,376
2040 .....		100,496,080	29,445,000	736,125	30,181,125		130,677,205	130,677,205

Note: Totals may not add due to rounding.

<sup>(1)</sup> Figures reflect estimated debt service on tax-exempt variable rate bonds calculated at an assumed interest rate of 5% per annum, on taxable variable rate bonds at an assumed rate of 7% per annum and on tax-exempt auction rate bonds at an assumed rate of 5% per annum. Fiscal 2003 Series A Bonds maturing after 2014 are assumed to be replaced by variable rate bonds at an assumed rate of 5% after November 1, 2011. Fiscal 2003 Series B Bonds maturing after 2015 are assumed to be replaced by variable rate bonds at an assumed rate of 5% after February 1, 2011. Figures include debt service on economically defeased Bonds.

<sup>(2)</sup> Figures reflect estimated debt service on tax-exempt variable rate bonds calculated at an assumed interest rate of 5% per annum, on taxable variable rate bonds at an assumed rate of 7% per annum and on tax-exempt auction rate bonds at an assumed rate of 5% per annum. Figures include debt service on economically defeased Bonds. Figures do not reflect federal subsidy of 35% of interest on Build America Bonds or federal subsidy with respect to Qualified School Construction Bonds. Figures include Sinking Fund Requirements deposited for payment of the principal of outstanding Qualified School Construction Bonds at maturity but not the maturing principal of outstanding Qualified School Construction Bonds.

<sup>(3)</sup> Figures include Sinking Fund Requirements deposited for the payment of the principal of the Subseries A-2 Bonds at maturity but not the maturing principal of the Subseries A-2 Bonds.

<sup>(4)</sup> Figures reflect estimated debt service on the Adjustable Rate Bonds expected to be issued concurrently with the issuance of the Series 2011 A Fixed Rate Bonds calculated at an assumed interest rate of 5% per annum. Figures do not reflect federal subsidy of 35% of interest on Build America Bonds or federal subsidy with respect to Qualified School Construction Bonds.

## Use of Proceeds

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

The proceeds of the Subseries A-2 Bonds will be used to finance the costs of the construction, rehabilitation or repair of public school facilities, including the furnishing and equipping of such school facilities, or the acquisition of land on which such school facilities are located (the “School Projects”). The total amount of qualified school construction bonds authorized nationally for calendar year 2010 is limited by the Code to \$11 billion. A portion of such limit has been allocated to the City in the amount of \$664,010,000 which, together with the City’s carry forward from calendar year 2009 of \$699,872,000, is herein collectively referred to as the “Allocation”. A portion of the Allocation will be transferred from the City to the Authority prior to the issuance of the Subseries A-2 Bonds. 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 “—Redemption—*Extraordinary Mandatory Redemption of the Qualified School Construction Bonds.*”

Certain expenses of the Authority incurred in connection with the issuance and sale of the Series 2011 A Bonds will be paid from the proceeds of the Series 2011 A 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 Series 2011 A 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. Purchasers may own beneficial ownership interests in Subseries A-1 Bonds and Subseries A-2 Bonds held in the United States through DTC. Purchasers may own beneficial ownership interests in the Subseries A-1 Bonds and Subseries A-2 Bonds held in Europe through Clearstream Banking, société anonyme (“Clearstream”), or the Euroclear System (“Euroclear”).

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”). 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](http://www.dtcc.com) and [www.dtc.org](http://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.

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. None of the Authority, the Underwriters or the Initial Purchaser 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.

### **Global Clearance Procedures**

Reference to the Securities under the caption “Global Clearance Procedures” shall mean all Subseries A-1 Bonds and Subseries A-2 Bonds except for beneficial ownership interests in Subseries A-1 Bonds and Subseries A-2 Bonds in the United States which are held through DTC. The Securities initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Securities. Purchases of the Securities will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers’ securities accounts in Clearstream’s and/or Euroclear’s names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers’ securities accounts in the U.S. Depositories’ names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

#### *Clearstream*

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg (“Clearstream, Luxembourg”) is successor in name to Cedel Bank, S.A. Clearstream, Luxembourg is a wholly-owned subsidiary of Clearstream International S.A. On January 1, 1995, Clearstream, Luxembourg was granted a banking license in Luxembourg.

Clearstream International S.A., which is domiciled in Luxembourg, is as from June 2009, 51% owned by Clearstream Holding AG and 49% owned by Deutsche Börse AG (“DBAG”).

Clearstream Holding AG is domiciled in Germany and wholly owned by DBAG. DBAG is a publicly held company organized under German law and traded on the Frankfurt Stock Exchange.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in many countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier (“CSSF”), which supervises Luxembourg banks. Since February 12, 2001, Clearstream, Luxembourg has also been supervised by the Central Bank of Luxembourg according to the Settlement Finality Directive Implementation of January 12, 2001, following the official notification to the regulators of the Clearstream, Luxembourg’s role as a payment system provider operating a securities settlement system. Clearstream, Luxembourg’s customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the “Euroclear Operator”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

#### *Euroclear*

Euroclear Bank S.A./N.V. (“Euroclear Bank”) holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Participants, as defined in the Terms and Conditions Governing Use of Euroclear as amended from time to time (the

“Terms and Conditions”), and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities. Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank’s records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions on Behalf of the Owners. All of the Securities will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions



on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories"). Holders of the Securities may hold their Securities through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Securities through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Securities held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Securities on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Procedures May Change. Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Secondary Market Trading. Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in sameday funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Securities will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the

benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a crossmarket transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participant's or Clearstream customers' accounts will be back-valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one day period.

If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

THE AUTHORITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR 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, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR 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, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR 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, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR 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, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR 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, CLEARSTREAM, EUROCLEAR AND THEIR BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC, CLEARSTREAM AND EUROCLEAR, RESPECTIVELY, AND THE AUTHORITY MAKES NO 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 Series 2011 A 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.

*Eileen T. Moran, Deputy Comptroller*

Ms. Moran was appointed Deputy Comptroller commencing November 2007. She is a graduate of Hunter College and Pace University.

*Robert L. Balducci, Assistant Comptroller*

Mr. Balducci was appointed Assistant Comptroller in January 2009. He is a graduate of Baruch 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 1, 2010, the City's and the Authority's combined debt-incurring capacity was approximately \$26.3 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 \$15,835,255,000 of Future Tax Secured Bonds consisting of \$6,587,970,000 of Senior Bonds (including Bonds that have been economically defeased and the maturity value of capital appreciation bonds) and \$9,247,285,000 of Parity Debt (including \$1,466,200,000 of Recovery Obligations), which is subordinate to Senior Bonds. Of such Senior Bonds, \$1,049,470,000 are variable rate bonds. Of such Parity Debt, \$2,106,100,000 are variable rate bonds (including \$1,385,200,000 of variable rate Recovery Bonds).

The Authority has Outstanding \$4,201,300,000 of Building Aid Revenue Bonds. The Authority expects to issue additional Building Aid Revenue Bonds in the future. 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 \$3.0 billion, \$2.7 billion, \$2.5 billion and \$2.4 billion of Future Tax Secured Bonds for general City capital purposes during fiscal years 2011 through 2014, respectively. 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 2011 A Bonds or questioning or affecting the validity of the 2011 A 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**

### **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 on the Subseries A-3 Bonds (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 the 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.

In the opinion of Sidley Austin LLP, New York, New York, as Bond Counsel, interest on the Series 2011 A Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

Interest on the Tax-Exempt 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 alternate

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 Tax-Exempt Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

*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. In addition, original issue discount that accrues in each year to an owner of a Discount Bond may result in some of the collateral federal income tax consequences discussed below. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in 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.

*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.

*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**

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*Circular 230 Notice.* Any discussion of U.S. federal tax issues set forth in this Offering Circular relating to the Build America Bonds and the Qualified School Construction Bonds (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. Under existing law, interest on the Series 2011 A Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

### *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.

*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 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 of 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.

#### *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.

#### *Owners of the Build America Bonds and Qualified School Construction Bonds Not to Receive Tax Credit*

Although the Build America Bonds will be issued as "Build America Bonds," the Authority will elect to receive a cash subsidy payment from the United States Treasury equal to thirty-five percent (35%) of the interest payable by the Authority on the Build America Bonds. UNDER NO CIRCUMSTANCES WILL THE OWNERS OF THE BUILD AMERICA BONDS RECEIVE OR BE ENTITLED TO A CREDIT AT ANY TIME AGAINST THE TAX IMPOSED BY THE CODE.

Although the Qualified School Construction Bonds will be issued as "Qualified School Construction Bonds," the Authority will elect to receive a cash subsidy payment from the United States Treasury equal to the lesser of (i) the amount of interest payable on the Qualified School Construction Bonds and (ii) amount of interest which would have been payable on the Qualified School Construction Bonds on each Interest Payment Date if such Qualified School Construction Bonds bore interest at a rate equal to the Applicable Credit Rate. THE OWNERS OF THE QUALIFIED SCHOOL CONSTRUCTION BONDS ARE NOT ENTITLED TO RECEIVE A CREDIT AGAINST TAX IMPOSED BY THE CODE WITH RESPECT TO THE QUALIFIED SCHOOL CONSTRUCTION BONDS.

### *New Legislation*

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010 (the “Health Care Act”). The Health Care Act, which will be effective for taxable years beginning after December 31, 2012, will require certain U.S. Holders who are individuals, estates or trusts, to pay a special 3.8% tax on all or a portion of the interest and other income from the Taxable Bonds. Prospective purchasers should consult their tax advisors as to the applicability of such tax.

### **Future Tax Developments**

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Taxable 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 State tax exemption or the market value of the Taxable Bonds. Prospective purchasers of the Taxable 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.

### **ERISA Considerations**

The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and 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 Bonds, including the role that such an investment in the Bonds would play in the Plan’s overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Bonds, must be satisfied that such investment in the Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Bonds, are diversified so as to minimize the risk of large losses and that an investment in the Bonds complies with the documents of the Plan and related trust. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bond.

## **SECTION VIII: RATINGS**

The Series 2011 A 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 Series 2011 A Fixed Rate Bonds.

## **SECTION IX: APPROVAL OF LEGALITY**

All legal matters incident to the authorization, issuance and delivery of the Series 2011 A 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.

## **SECTION X: FINANCIAL ADVISORS**

Public Resources Advisory Group, New York, New York, and A.C. Advisory, Inc., Chicago, Illinois are acting as financial advisors to the Authority in connection with the issuance of the Series 2011 A Bonds.

## **SECTION XI: FINANCIAL STATEMENTS**

The financial statements of the Authority as of and for the years ended June 30, 2009 and June 30, 2008 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, 2009 and 2008, 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;

(b) notice of the failure to expend the proceeds of the sale of the Qualified School Construction Bonds within the Expenditure Period; and

(c) in a timely manner to EMMA, notice of any of the following events with respect to the Series 2011 A Fixed Rate Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax status of the Series 2011 A Fixed Rate Bonds;
- (7) modifications to rights of security holders;
- (8) bond calls;

- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Series 2011 A Fixed Rate Bonds;
- (11) rating changes; and
- (12) 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 Series 2011 A 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 at the date of the issue of a series of bonds 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.

### **SECTION XIII: UNDERWRITING**

The Series 2011 A Fixed Rate Bonds are being purchased for reoffering by the Underwriters, for whom Citigroup Global Markets Inc. is acting as Lead Manager.

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2011 A Fixed Rate Bonds from the Authority at an aggregate underwriters' discount of \$5,323,320.62 and to make an initial public offering of the Series 2011 A Fixed Rate 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 will be obligated to purchase all the Series 2011 A Fixed Rate Bonds if any Series 2011 A Fixed Rate Bonds are purchased.

The Series 2011 A Fixed Rate 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 Series 2011 A Fixed Rate 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.

### **SECTION XIV: 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 XV: 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 2011 A 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 2011 A 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 March 24, 2004, 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
- (viii) 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;
- (ix) 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);

- (x) 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
- (xi) 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.

**“MAC”** means the Municipal Assistance Corporation for The City of New York.

**“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;

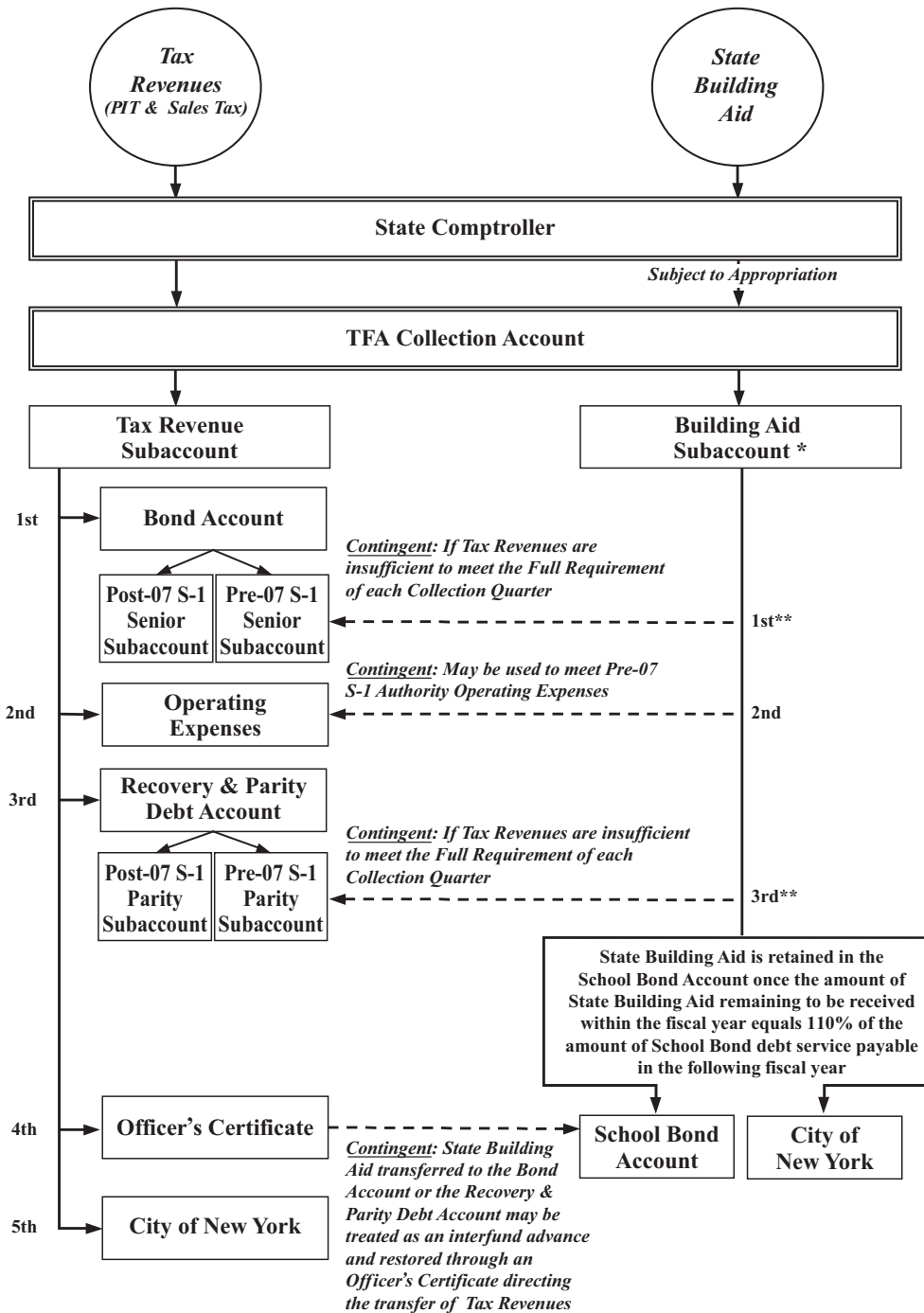
(2) in the first month of each Collection Quarter, beginning the first day when both the Pre-'07 Senior Subaccount and the Pre-'07 S-1 Parity Subaccount have been funded to their First-Month Requirements and continuing until the end of the month, to the Federal Bond Subaccount or, if so directed by Officer's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

*Series 2011 A Bonds.* The Indenture makes provision for the deposit and expenditure of the proceeds of the Series 2011 A Bonds and for the application of the related Federal Subsidies (which subsidies are not pledged to any of the Series 2011 A Bonds).

## 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.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

**FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEARS ENDED JUNE 30, 2009 AND 2008**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
New York City Transitional Finance Authority

We have audited the accompanying financial statements of the governmental activities of 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, 2009 and 2008, 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 governmental activities of the Authority as of June 30, 2009 and 2008 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.

The accompanying management's discussion and analysis on pages 2 – 6 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.

*Marks Paneth + Shron LLP*

New York, New York  
September 25, 2009

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**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009 AND 2008**

**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") for the fiscal years ended June 30, 2009 and 2008. It should be read in conjunction with the Authority's government-wide financial statements, governmental fund 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 fund 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") Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended.

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 fund financial statements (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 interest on bonds payable, which is recognized when due.

The reconciliations of the statements of revenues, expenditures and changes in fund balances of the governmental funds to the statements of activities, and the balance sheets of the governmental funds to the statements of net assets are presented to assist the reader in understanding the differences between government-wide and fund financial statements.

The Authority's authorizing legislation limits 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") to \$13.5 billion as of June 30, 2009. Subsequent to the Authority's year end, 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. In addition, the Authority may issue additional FTS 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. In fiscal year 2009, the Authority issued \$219.30 million of FTS, Series A and B, and received a premium of \$15.39 million. The total proceeds of \$234.69 million were used to refund \$228.17 million of the Authority's FTS debt and pay the related costs of issuance. The Authority had FTS outstanding, excluding Recovery Bonds, as of June 30, 2009 and 2008 of \$11.14 billion and \$11.31 billion, respectively.

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 Authority had Recovery Bonds outstanding as of June 30, 2009 and 2008 of \$1.52 billion.

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. The Authority issued \$2.27 billion and \$700 million BARBs in fiscal year 2009 and 2008, respectively. The Authority had BARBs outstanding as of June 30, 2009 and 2008 of \$4.25 billion and \$2.0 billion, respectively. In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity—Transfers of Assets and Future Revenues* ("GASB 48"), the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority, as discussed below.

In fiscal year 2008, the Authority implemented GASB 48, which establishes accounting and financial reporting standards for governmental entities that have exchanged an interest in expected cash flows from collecting specific receivables or specific future revenues, and established the criteria that are used to determine whether the exchange should be reported as a sale or as a collateralized borrowing.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009 AND 2008**

The implementation of GASB 48 changed the accounting and financial reporting for the Authority's disbursements of BARBs proceeds to the City and receipt of building aid from the State to the Authority pursuant to the Assignment. The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses. Under the criteria established by GASB 48, this 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. The effect of the implementation of GASB 48 on the fund financial statements is to report distributions to the City for its educational facilities capital program as an other financing use of funds, rather than as an expenditure, as these distributions are now accounted for as loans to the City. Building aid retained by the Authority is treated as an other financing source as the amount retained is accounted for as repayments of the amount loaned to the City.

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The following summarizes the activities of the Authority for the years ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	Variance	
	------(in thousands)-----			------(in thousands)-----	
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009/2008</u>	<u>2008/2007</u>
<b>Expenses:</b>					
Distributions to New York City for general capital program	\$ 11,448	\$ 412,488	\$ 1,635,310	\$ (401,040)	\$(1,222,822)
Interest expense	651,003	592,285	620,580	58,718	(28,295)
Other	<u>33,352</u>	<u>39,727</u>	<u>43,326</u>	<u>(6,375)</u>	<u>(3,599)</u>
Total expenses	<u>695,803</u>	<u>1,044,500</u>	<u>2,299,216</u>	<u>(348,697)</u>	<u>(1,254,716)</u>
<b>Revenues:</b>					
Personal income tax retained	138,274	163,756	684,607	(25,482)	(520,851)
Unrestricted grant from New York City	645,747	545,747	1,264,215	100,000	(718,468)
Investment earnings	<u>11,257</u>	<u>43,718</u>	<u>69,430</u>	<u>(32,461)</u>	<u>(25,712)</u>
Total revenues	<u>795,278</u>	<u>753,221</u>	<u>2,018,252</u>	<u>42,057</u>	<u>(1,265,031)</u>
Change in net assets	99,475	(291,279)	(280,964)	390,754	(10,315)
Net deficit, beginning of year	<u>(12,374,641)</u>	<u>(12,083,362)</u>	<u>(11,802,398)</u>	<u>(291,279)</u>	<u>(280,964)</u>
Net deficit, end of year	<u>\$(12,275,166)</u>	<u>\$(12,374,641)</u>	<u>\$(12,083,362)</u>	<u>\$ 99,475</u>	<u>\$ (291,279)</u>

The Authority issued BARBs in the amount of \$2.27 billion, \$700 million and \$1.30 billion in fiscal years 2009, 2008 and 2007, respectively. The bond proceeds are used to finance a portion of the City's educational facilities capital plan. The Authority distributed \$2.31 billion, \$1.24 billion and \$748.3 million of the BARBs proceeds to the City in fiscal years 2009, 2008 and 2007, respectively. These distributions to the City are reported on the Authority's government-wide financial statements as Due from New York City-future State building aid and this receivable is reduced by the amount of building aid retained by the Authority for its BARBs debt service and its operations. The remainder of the building aid received by the Authority is remitted to the City. The issuance of \$2.27 billion of BARBs increased interest expense in fiscal year 2009, compared to fiscal year 2008.

Below is a table summarizing the total building aid revenues, remittances to the City and the balance retained by the Authority for the fiscal years ending June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	------(in thousands)-----		
Building aid received from the State	\$ 757,199	\$ 696,566	\$ 505,818
Building aid remitted to the City	<u>(530,490)</u>	<u>(483,519)</u>	<u>(443,645)</u>
Total retained for BARBs debt service and operating expenses	<u>\$ 226,709</u>	<u>\$ 213,047</u>	<u>\$ 62,173</u>



**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009 AND 2008**

Personal Income Tax ("PIT) decreased by \$2.54 billion or 29.25% in fiscal year 2009 from fiscal year 2008, while in fiscal year 2008 PIT increased by \$466.19 million or 5.4% over fiscal year 2007. The decrease in PIT in fiscal year 2009 is attributable to the recession. The Authority retained \$138.27 million, \$163.76 million and \$684.61 million of PIT in fiscal years 2009, 2008 and 2007, respectively. The PIT retained is used for the Authority's debt service on its FTS debt and its administrative expenses. The decrease in retention of personal income tax from fiscal years 2009 to 2008 and 2008 to 2007 was due to the Authority's receipt of unrestricted grants from the City. The Authority received grants of \$545.75 million and \$1.26 billion in June 2008 and 2007, 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 and its administrative expenses. In fiscal year 2009, the Authority received a grant of \$ 645.75 million from the City which will be used for its debt service payments on the FTS and its administrative expenses in fiscal year 2010.

Below is a table summarizing the PIT revenue, remittances to the City and the amount retained by the Authority for fiscal years ending June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	------(in thousands)-----		
PIT revenue	\$ 6,156,177	\$ 8,700,965	\$8,254,777
PIT remitted to the City	<u>(6,017,903)</u>	<u>(8,537,209)</u>	<u>(7,570,170)</u>
Total retained for tax secured debt service and operating expenses	<u>\$ 138,274</u>	<u>\$ 163,756</u>	<u>\$ 684,607</u>

Distributions to the City for its general capital program decreased to \$11.45 million in fiscal year 2009 from \$412.49 million and \$1.635 billion in fiscal years 2008 and 2007, respectively. As the Authority had reached its statutory debt limitation in fiscal year 2007, no additional new money FTS were issued in fiscal years 2009 and 2008. The remaining balance from fiscal year 2007 bond issuances and interest earnings on this balance was transferred to the City in fiscal year 2009 and 2008.

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.

The following summarizes the Authority's assets, liabilities, and net assets (deficits) as of June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009/2008</u>	<u>2008/2007</u>
	------(in thousands)-----			------(in thousands)-----	
<b>Assets:</b>					
Total assets	\$ <u>5,306,497</u>	\$ <u>3,473,776</u>	\$ <u>3,821,830</u>	<u>\$1,832,721</u>	<u>\$(348,054)</u>
<b>Liabilities:</b>					
Current liabilities	587,865	924,807	1,127,085	(336,942)	(202,278)
Non-current liabilities	<u>16,993,798</u>	<u>14,923,610</u>	<u>14,778,107</u>	<u>2,070,188</u>	<u>145,503</u>
Total liabilities	<u>17,581,663</u>	<u>15,848,417</u>	<u>15,905,192</u>	<u>1,733,246</u>	<u>(56,775)</u>
<b>Net assets (deficits):</b>					
Restricted	619	11,440	1,075,372	(10,821)	(1,063,932)
Unrestricted	<u>(12,275,785)</u>	<u>(12,386,081)</u>	<u>(13,158,734)</u>	<u>110,296</u>	<u>772,653</u>
Net deficit, end of year	<u>\$(12,275,166)</u>	<u>\$(12,374,641)</u>	<u>\$(12,083,362)</u>	<u>\$ 99,475</u>	<u>\$(291,279)</u>

Total assets increased in fiscal year 2009 primarily due to the increase in the amount Due from New York City—future State building aid. As discussed previously, under GASB 48, the amount due from the City is increased when the Authority distributes BARBs proceeds to the City for its educational facilities capital plan and reduced by amounts retained for BARBs debt service. In fiscal year 2009, the Authority distributed \$2.31 billion to the City compared to \$1.24 billion in fiscal year 2008 and \$748.30 million in fiscal year 2007.

As of fiscal year end 2009, the Authority does not carry a receivable for PIT from the State or a corresponding liability of PIT payable to the City due to the increase in the amount of projected PIT refunds due to taxpayers at year end. This increase in projected refunds of fiscal year 2009 PIT tax resulted in a receivable from the City of

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009 AND 2008**

\$12.24 million, which will be deducted from fiscal year 2010 remittances. In fiscal year 2008, PIT receivable and the corresponding liability to the City was \$446.45 million.

Bonds payable increased in fiscal year 2009 primarily due to the issuance of \$2.27 billion of BARBs compared to \$700 million and \$1.3 billion in fiscal years 2008 and 2007, respectively.

The amount due to the City for reimbursement of its capital expenses increased \$37.71 million in fiscal year 2009 compared to a decrease of \$105.29 million in fiscal year 2008 from fiscal year 2007. The change in the payable to the City for capital expenditures is a result of timing differences between the City's incurrence of the capital expenditures and requesting reimbursement from the Authority.

In fiscal year 2009 and 2008, the changes in bonds payable were as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2009</u>
----- (in thousands) -----							
Future tax secured bonds (excluding recovery bonds)	\$ 11,541,765	\$ -	\$ (235,835)	\$ 11,305,930	\$ 219,300	\$ (384,950)	\$ 11,140,280
Recovery bonds	1,765,060	-	(243,160)	1,521,900	-	-	1,521,900
Building aid revenue bonds	<u>1,300,000</u>	<u>700,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,270,000</u>	<u>(18,820)</u>	<u>4,251,180</u>
Total bonds payable	<u>\$ 14,606,825</u>	<u>\$ 700,000</u>	<u>\$ (478,995)</u>	<u>\$ 14,827,830</u>	<u>\$ 2,489,300</u>	<u>\$ (403,770)</u>	<u>\$ 16,913,360</u>

**FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

The Authority reports governmental activity using four funds, comprised of two capital projects funds and two debt service funds: (1) a building aid revenue bonds capital project fund ("BARBs CPF"), (2) a future tax secured capital project fund ("FTS CPF"), (3) a building aid revenue bonds debt service fund ("BARBs DSF") and (4) a future tax secured debt service fund ("FTS DSF").

The following summarizes the BARBs CPF activities of the Authority for the years ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009/2008</u>	<u>2008/2007</u>
----- (in thousands) -----					
Fund balance, beginning of year	\$ 69,665	\$ 631,444	\$ -	\$ (561,779)	\$ 631,444
Revenues	881	11,686	19,028	(10,805)	(7,342)
Expenditures	(16,669)	(4,618)	(15,013)	(12,051)	10,395
Other financing sources (uses)	<u>(53,821)</u>	<u>(568,847)</u>	<u>627,429</u>	<u>515,026</u>	<u>(1,196,276)</u>
Fund balance, end of year	<u>\$ 56</u>	<u>\$ 69,665</u>	<u>\$ 631,444</u>	<u>\$ (69,609)</u>	<u>\$ (561,779)</u>

The Authority's bond proceeds and distributions to the City are reported as other financing sources (uses) in the governmental funds. The Authority distributed \$2.31 billion, \$1.24 billion, \$748.30 million in fiscal years 2009, 2008 and 2007, respectively, to the City to finance its educational facilities capital program.

Expenditures reported are the Costs of Issuances related to the issuance of BARBs.

The following summarizes the FTS CPF activities of the Authority for the years ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2009/2008</u>	<u>2008/2007</u>
----- (in thousands) -----					
Fund balance, beginning of year	\$ 30,411	\$ 443,777	\$ -	\$ (413,366)	\$ 443,777
Revenues	252	7,381	24,058	(7,129)	(16,677)
Expenditures	(11,448)	(412,488)	(1,648,227)	401,040	1,235,739
Other financing sources (uses)	<u>(19,215)</u>	<u>(8,259)</u>	<u>2,067,946</u>	<u>(10,956)</u>	<u>(2,076,205)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 30,411</u>	<u>\$ 443,777</u>	<u>\$ (30,411)</u>	<u>\$ (413,366)</u>

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009 AND 2008**

Expenditures in the FTS CPF are distributions to the City for its general capital program. As the Authority had reached its statutory debt limitation in fiscal year 2007, no additional new money bonds were issued in fiscal years 2009 and 2008. The remaining balance from fiscal year 2007 bond issuances and interest earnings on this balance were transferred to the City in fiscal years 2009 and 2008.

The following summarizes the BARBs DSF activities of the Authority for the years ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	Variance	
	------(in thousands)-----			<u>2009/2008</u>	<u>2008/2007</u>
				------(in thousands)-----	
Fund balance, beginning of year	\$ 245,542	\$ 62,743	\$ -	\$ 182,799	\$ 62,743
Revenues	3,371	1,558	536	1,813	1,022
Expenditures	(107,660)	(62,318)	(92)	(45,342)	(62,226)
Other financing sources	<u>227,727</u>	<u>243,559</u>	<u>62,299</u>	<u>(15,832)</u>	<u>181,260</u>
Fund balance, end of year	<u>\$ 368,980</u>	<u>\$ 245,542</u>	<u>\$ 62,743</u>	<u>\$ 123,438</u>	<u>\$ 182,799</u>

Expenditures in the debt service fund are primarily for the interest expense on outstanding BARBs. The other financing sources consisted primarily of \$226.7 million, \$213.04 million and \$62.17 million of State building aid retained by the Authority in fiscal years 2009, 2008 and 2007, respectively.

The following summarizes the FTS DSF activities of the Authority for the years ended June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>	Variance	
	------(in thousands)-----			<u>2009/2008</u>	<u>2008/2007</u>
				------(in thousands)-----	
Fund balance, beginning of year	\$ 749,404	\$1,094,289	\$ 636,893	\$ (344,885)	\$ 457,396
Revenues	790,774	732,596	1,974,630	58,178	(1,242,034)
Expenditures	(710,230)	(1,085,711)	(1,517,779)	375,481	432,068
Other financing sources	<u>21,027</u>	<u>8,230</u>	<u>545</u>	<u>12,797</u>	<u>7,685</u>
Fund balance, end of year	<u>\$ 850,975</u>	<u>\$ 749,404</u>	<u>\$ 1,094,289</u>	<u>\$ 101,571</u>	<u>\$ (344,885)</u>

The FTS DSF revenue consists primarily of grants from the City and PIT retained by the Authority. The Authority received unrestricted grants from the City of \$645.75 million \$545.75 million and \$1.26 billion in fiscal years 2009, 2008 and 2007, respectively. These grants and the PIT retained are used to service the Authority's FTS debt service and its administrative expenses.

Expenditures decreased in fiscal year 2009 due to the cash defeasance and the early retirement of FTS in fiscal years 2008 and 2007.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
**STATEMENTS OF NET ASSETS (DEFICIT)**  
**AS OF JUNE 30, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
	(in thousands)	
<b>ASSETS:</b>		
Unrestricted cash and cash equivalents	\$ 11,487	\$ 3,322
Restricted cash and cash equivalents	329,546	410,884
Restricted cash escrow for economic defeasance	22,369	683
Restricted investments	1,030,327	771,380
Restricted investments escrow for economic defeasance	10,932	33,505
Personal income tax receivable	-	446,455
Personal income tax receivable from New York City - net	12,239	-
Due from New York City - future State building aid	3,800,793	1,717,000
Unamortized bond issuance costs	79,377	68,911
Other	9,427	21,636
<b>TOTAL ASSETS</b>	<b>5,306,497</b>	<b>3,473,776</b>
<b>LIABILITIES:</b>		
Personal income tax payable to New York City	\$ -	\$ 446,455
Personal income tax refunds payable - net	12,239	-
Distributions payable to New York City capital programs	182,055	144,348
Accrued expenses	2,595	1,931
Accrued interest payable	207,729	156,363
Bonds payable		
Portion due within one year	173,820	175,600
Portion due after one year	16,739,540	14,652,230
Unamortized deferred bond refunding costs	(100,170)	(113,061)
Unamortized bond premium	354,428	384,441
Other	9,427	110
<b>TOTAL LIABILITIES</b>	<b>17,581,663</b>	<b>15,848,417</b>
<b>NET ASSETS (DEFICIT):</b>		
Restricted for economic defeasance	563	1,367
Restricted for capital projects	56	10,073
Deficit	(12,275,785)	(12,386,081)
<b>TOTAL DEFICIT</b>	<b>\$ (12,275,166)</b>	<b>\$ (12,374,641)</b>

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, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
	(in thousands)	
<b>EXPENSES:</b>		
General and administrative expenses	\$ 8,409	\$ 8,879
Distributions to New York City for general capital program	11,448	412,488
Amortization of deferred bond refunding costs	17,895	23,706
Interest expense	651,003	592,285
Amortization of debt issuance costs	7,048	7,142
<b>TOTAL EXPENSES</b>	<b>695,803</b>	<b>1,044,500</b>
<b>REVENUES:</b>		
Personal income tax revenue	6,156,177	8,700,965
Less remittances to New York City	(6,017,903)	(8,537,209)
<b>Personal income tax revenue retained</b>	138,274	163,756
Unrestricted grant from New York City	645,747	545,747
Investment earnings	11,257	43,718
<b>TOTAL REVENUES</b>	<b>795,278</b>	<b>753,221</b>
<b>CHANGE IN DEFICIT</b>	99,475	(291,279)
<b>Deficit - beginning of year</b>	<b>(12,374,641)</b>	<b>(12,083,362)</b>
<b>DEFICIT - END OF YEAR</b>	<b>\$ (12,275,166)</b>	<b>\$ (12,374,641)</b>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
**GOVERNMENTAL FUNDS BALANCE SHEETS**  
**JUNE 30, 2009**

	(in thousands)				
	Capital Projects		Debt Service		
	Building Aid		Building Aid		Total
	Revenue	Future Tax	Revenue	Future Tax	Governmental
	Bonds	Secured	Bonds	Secured	Funds
<b>ASSETS:</b>					
Unrestricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ 11,487	\$ 11,487
Restricted cash and cash equivalents	182,843	-	2	146,701	329,546
Restricted cash in escrow for economic defeasance	-	-	-	22,369	22,369
Restricted investments	-	-	369,172	661,155	1,030,327
Restricted investments in escrow for economic defeasance	-	-	-	10,932	10,932
Personal income tax receivable from New York City - net	-	-	-	12,239	12,239
Other	-	-	9,233	194	9,427
	<u>182,843</u>	<u>-</u>	<u>378,407</u>	<u>865,077</u>	<u>1,426,327</u>
<b>TOTAL ASSETS</b>	<b>\$ 182,843</b>	<b>\$ -</b>	<b>\$ 378,407</b>	<b>\$ 865,077</b>	<b>\$ 1,426,327</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES</b>					
Accrued expenses	\$ 732	\$ -	\$ -	\$ 1,863	\$ 2,595
Distributions payable to New York City for capital programs	182,055	-	-	-	182,055
Personal income tax refund payable - net	-	-	-	12,239	12,239
Other	-	-	9,427	-	9,427
	<u>182,787</u>	<u>-</u>	<u>9,427</u>	<u>14,102</u>	<u>206,316</u>
<b>TOTAL LIABILITIES</b>	<b>182,787</b>	<b>-</b>	<b>9,427</b>	<b>14,102</b>	<b>206,316</b>
<b>FUND BALANCES</b>					
Restricted for capital projects	56	-	-	-	56
Restricted for debt service	-	-	368,980	806,187	1,175,167
Reserved for economic defeasance	-	-	-	33,301	33,301
Unreserved	-	-	-	11,487	11,487
	<u>56</u>	<u>-</u>	<u>368,980</u>	<u>850,975</u>	<u>1,220,011</u>
<b>TOTAL FUND BALANCES</b>	<b>56</b>	<b>-</b>	<b>368,980</b>	<b>850,975</b>	<b>1,220,011</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 182,843</b>	<b>\$ -</b>	<b>\$ 378,407</b>	<b>\$ 865,077</b>	<b>\$ 1,426,327</b>

The accompanying notes are an integral part of these financial statements.



**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
**GOVERNMENTAL FUNDS BALANCE SHEETS**  
**JUNE 30, 2008**

(in thousands)

	Capital Projects		Debt Service		Total Governmental Funds
	Building Aid	Future Tax Secured	Building Aid	Future Tax Secured	
	Revenue Bonds		Revenue Bonds		
<b>ASSETS:</b>					
Unrestricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ 3,322	\$ 3,322
Restricted cash and cash equivalents	211,383	33,421	81,054	85,026	410,884
Restricted cash in escrow for economic defeasance	-	-	-	683	683
Restricted investments	-	-	143,150	628,230	771,380
Restricted investments in escrow for economic defeasance	-	-	-	33,505	33,505
Personal income tax receivable	-	-	-	446,455	446,455
Other	-	-	21,448	188	21,636
<b>TOTAL ASSETS</b>	<u>\$ 211,383</u>	<u>\$ 33,421</u>	<u>\$ 245,652</u>	<u>\$ 1,197,409</u>	<u>\$ 1,687,865</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES</b>					
Accrued expenses	\$ 381	\$ -	\$ -	\$ 1,550	\$ 1,931
Distributions payable to New York City for capital programs	141,337	3,010	-	-	144,347
Personal income tax payable to New York City	-	-	-	25,455	25,455
Deferred personal income tax revenue	-	-	-	421,000	421,000
Other	-	-	110	-	110
<b>TOTAL LIABILITIES</b>	<u>141,718</u>	<u>3,010</u>	<u>110</u>	<u>448,005</u>	<u>592,843</u>
<b>FUND BALANCES</b>					
Restricted for capital projects	69,665	30,411	-	-	100,076
Restricted for debt service	-	-	245,542	711,894	957,436
Reserved for economic defeasance	-	-	-	34,188	34,188
Unreserved	-	-	-	3,322	3,322
<b>TOTAL FUND BALANCES</b>	<u>69,665</u>	<u>30,411</u>	<u>245,542</u>	<u>749,404</u>	<u>1,095,022</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 211,383</u>	<u>\$ 33,421</u>	<u>\$ 245,652</u>	<u>\$ 1,197,409</u>	<u>\$ 1,687,865</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, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
	<b>(in thousands)</b>	
Total fund balances - governmental funds	\$ 1,220,011	\$ 1,095,022
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 statement of net assets (deficit), the costs of debt issuance are reported as capitalized assets and amortized over the life of the related asset.	79,377	68,911
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.	(354,428)	(384,441)
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.	3,800,793	1,717,000
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	(16,913,360)	(14,827,830)
Accrued interest on bonds	(207,729)	(156,363)
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.	100,170	113,060
Net assets (deficit) of government activities	<u>\$ (12,275,166)</u>	<u>\$ (12,374,641)</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	(in thousands)				
	Capital Projects		Debt Service		Total Governmental Funds
	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
<b>REVENUES:</b>					
Personal income tax revenue	\$ -	\$ -	\$ -	\$ 6,618,177	\$ 6,618,177
Less remittances to New York City	-	-	-	(6,479,903)	(6,479,903)
<b>Personal income tax revenue retained</b>	-	-	-	138,274	138,274
Unrestricted grant from New York City	-	-	-	645,747	645,747
Investment earnings	881	252	3,371	6,753	11,257
<b>TOTAL REVENUES</b>	<u>881</u>	<u>252</u>	<u>3,371</u>	<u>790,774</u>	<u>795,278</u>
<b>EXPENDITURES:</b>					
Interest expense	-	-	88,646	541,641	630,287
Interest expense economic defeasance	-	-	-	1,782	1,782
Costs of debt issuance	16,669	-	-	-	16,669
Distributions to New York City for general capital program	-	11,448	-	-	11,448
Principal amounts of bonds retired	-	-	18,820	156,780	175,600
Refunding bond issuance costs	-	-	-	1,812	1,812
General and administrative expenses	-	-	194	8,215	8,409
<b>TOTAL EXPENDITURES</b>	<u>16,669</u>	<u>11,448</u>	<u>107,660</u>	<u>710,230</u>	<u>846,007</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(15,788)</u>	<u>(11,196)</u>	<u>(104,289)</u>	<u>80,544</u>	<u>(50,729)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Principal amount of bonds issued	2,270,000	-	-	-	2,270,000
Distributions to New York City for educational facilities capital program	(2,310,502)	-	-	-	(2,310,502)
Refunding bond proceeds	-	-	-	219,300	219,300
Bond premium, net of discount	(12,301)	-	-	15,391	3,090
Payments to refunded bond escrow holder	-	-	-	(232,879)	(232,879)
Transfer from New York City - building aid	-	-	226,709	-	226,709
Transfers in (out)	(1,018)	(19,215)	1,018	19,215	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(53,821)</u>	<u>(19,215)</u>	<u>227,727</u>	<u>21,027</u>	<u>175,718</u>
<b>NET CHANGES IN FUND BALANCES</b>	(69,609)	(30,411)	123,438	101,571	124,989
<b>Fund Balances- beginning of year</b>	<u>69,665</u>	<u>30,411</u>	<u>245,542</u>	<u>749,404</u>	<u>1,095,022</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 368,980</u>	<u>\$ 850,975</u>	<u>\$ 1,220,011</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	(in thousands)				
	Capital Projects		Debt Service		
	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
<b>REVENUES:</b>					
Personal income tax revenue	\$ -	\$ -	\$ -	\$ 8,814,965	\$ 8,814,965
Less remittances to New York City	-	-	-	(8,651,209)	(8,651,209)
<b>Personal income tax revenue retained</b>	-	-	-	163,756	163,756
Unrestricted grant from New York City	-	-	-	545,747	545,747
Investment earnings	11,686	7,381	1,558	23,093	43,718
<b>TOTAL REVENUES</b>	<u>11,686</u>	<u>7,381</u>	<u>1,558</u>	<u>732,596</u>	<u>753,221</u>
<b>EXPENDITURES:</b>					
Interest expense	-	-	62,208	589,559	651,767
Interest expense economic defeasance	-	-	-	8,411	8,411
Costs of debt issuance	4,618	-	-	-	4,618
Distributions to New York City for general capital program	-	412,488	-	-	412,488
Principal amounts of bonds retired	-	-	-	279,678	279,678
Principal amount of economic defeased bonds retired	-	-	-	199,295	199,295
General and administrative expenses	-	-	110	8,768	8,878
<b>TOTAL EXPENDITURES</b>	<u>4,618</u>	<u>412,488</u>	<u>62,318</u>	<u>1,085,711</u>	<u>1,565,135</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>7,068</u>	<u>(405,107)</u>	<u>(60,760)</u>	<u>(353,115)</u>	<u>(811,914)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Principal amount of bonds issued	700,000	-	-	-	700,000
Distributions to New York City for educational facilities capital program	(1,243,921)	-	-	-	(1,243,921)
Bond premium, net of discount	5,557	-	-	-	5,557
Transfer from New York City - building aid	-	-	213,047	-	213,047
Transfers in (out)	(30,483)	(8,259)	30,512	8,230	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(568,847)</u>	<u>(8,259)</u>	<u>243,559</u>	<u>8,230</u>	<u>(325,317)</u>
<b>NET CHANGES IN FUND BALANCES</b>	(561,779)	(413,366)	182,799	(344,885)	(1,137,231)
<b>Fund Balances- beginning of year</b>	<u>631,444</u>	<u>443,777</u>	<u>62,743</u>	<u>1,094,289</u>	<u>2,232,253</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 69,665</u>	<u>\$ 30,411</u>	<u>\$ 245,542</u>	<u>\$ 749,404</u>	<u>\$ 1,095,022</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
**RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Net changes in fund balances- total governmental funds	\$ 124,989	\$ (1,137,231)
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).	(2,270,000)	(700,000)
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).	13,579	-
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.	(16,083)	(23,706)
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).	175,600	478,973
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.	9,621	(2,524)
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.	29,613	29,553
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.	2,310,502	1,243,921
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.	(226,709)	(213,047)
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.	<u>(51,637)</u>	<u>32,782</u>
Change in net (deficit) assets of governmental activities	<u>\$ 99,475</u>	<u>\$ (291,279)</u>

The accompanying notes are an integral part of these financial statements.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**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”) Statement 14, as amended.

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”) 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 operating 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 Future Tax Secured Bonds (“FTS”) 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. As more fully described in Note 9, the Authority’s statutory debt limit was increased subsequent to June 30, 2009.

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.

Legislation enacted in April 2006 enables the Authority to have outstanding up to \$9.4 billion of bonds, 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 operating expenses. As of June 30, 2009 and 2008, \$4.25 billion and \$2.0 billion, respectively of Building Aid Revenue Bonds (“BARBs”) have been issued and are outstanding.

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 statement of net assets (deficit) and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB Statement No. 34, as amended. The statement of net assets (deficit) and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Authority’s governmental fund financial statements (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 interest on bonds payable, which is recognized when due.

The governmental funds consist of four funds: (1) a building aid revenue bonds capital project fund (“BARBs CPF”), (2) a future tax secured capital project fund (“FTS CPF”), (3) a building aid revenue bonds debt service fund (“BARBs DSF”) and (4) a future tax secured debt service fund (“FTS 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, and to support the operations of the Authority.



**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- B. 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.

During the fiscal year ended June 30, 2009 and 2008, the Authority made rebate payments of \$177 thousand and \$111 thousand, respectively.

- 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 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 operating expenses of the Authority are available to be remitted to the City. During the years ended June 30, 2009 and 2008, the Authority retained \$138.27 million and \$163.76 million, respectively of personal income tax to be used for FTS debt service and its operating expenses. During fiscal years 2009 and 2008, unrestricted grants were received from the City, as described in Note 6.
- 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 operating expenses. Funds for building aid revenue bond debt service are required to be retained when the projected remaining building aid to be received by the Authority reaches 110% of the unfunded debt service for the current and the next fiscal year. Unused building aid is available to be remitted to the City. During the years ended June 30, 2009 and 2008, the Authority retained of \$226.71 million and \$213.05 million, respectively of building aid to be used for BARBs debt service and its operations.
- H. The Authority implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity—Transfers of Assets and Future Revenues* (“GASB 48”) in fiscal year 2008. GASB 48 establishes accounting and financial reporting standards for governmental entities that have exchanged an interest in expected cash flows from collecting specific receivables or specific future revenues, and established the criteria that are used to ascertain whether the exchange should be reported as a sale or as a collateralized borrowing. The effects of the implementation of GASB 48 are described in Note 7.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 new standards which will or may impact the Authority.

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (“GASB 49”). The statement established accounting and financial reporting standards for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. GASB 49 was effective for financial statements for periods beginning after December 15, 2007, and was thus implemented by the City for its fiscal year ended June 30, 2009. There was no impact on the Authority’s financial statements as a result of implementation of GASB 49.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (“GASB 51”). The statement requires all intangible assets not specifically excluded by its scope provisions to be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The requirements for GASB 51 are effective for financial statements for periods beginning after June 15, 2009. The Authority has not completed the process of evaluating GASB 51, but does not expect GASB 51 to have a material impact on its financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (“GASB 53”). The statement establishes guidance on the recognition, measurement and disclosures related to derivative instruments entered into by governmental entities. GASB 53 requires that most derivative instruments be reported at fair value, and requires governmental entities to determine if derivatives are effective hedges of risks associated with related hedgeable items. Generally, for derivatives that are effective hedges, changes in fair values are deferred whereas for others the changes in fair value are recognized in the current period. The requirements for GASB 53 are effective for financial statements for periods beginning after June 15, 2009. The Authority has not completed the process of evaluating the impact of GASB 53 on its financial statements.

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”). The statement affects the display of fund balances in the financial statements and requires that governments disclose their fund balance classifications, policies and procedures in the Notes. Fund balances will be classified as nonspendable, restricted, committed, assigned, and/or unassigned, depending on the definitions provided in the statement. Additionally, GASB 54 refines the definitions of each of the governmental fund types, such as debt service and capital projects funds. The requirements for GASB 54 are effective for periods beginning after June 15, 2010. The Authority has not completed the process of evaluating the impact of GASB 54 on its financial statements, but the Authority’s governmental fund financial statement presentation will be impacted by the implementation of GASB 54.

- 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

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**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Authority's restricted 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. The Authority's restricted cash escrow is cash held by the escrow agent in the economic defeasance account.

	2009	2008
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	\$ 22,369	\$ 691
Cash equivalents	329,546	410,876
Total restricted cash and cash equivalents	351,915	411,567
Unrestricted cash and cash equivalents:		
Cash	88	90
Cash equivalents	11,399	3,232
Total unrestricted cash and cash equivalents	11,487	3,322
Total cash and cash equivalents (see Note 4)	\$ 363,402	\$ 414,889

As of June 30, 2009 and 2008, the Authority's restricted cash in escrow for economic defeasance consisted of bank deposits. As of June 30, 2009 and 2008, the carrying amounts and bank balances of bank deposits were \$22.37 million and \$683 thousand, respectively. The total restricted cash of \$22.37 million relates to the payment of principal and interest due on the economically defeased bonds payable in early fiscal year 2010. At June 30, 2009, under the Transaction Account Guarantee Program ("TAGP"), which is part of the Federal Deposit Insurance Corporation's (FDIC) "Temporary Liquidity Guarantee Program", there is an unlimited U.S. Government-backed guarantee on all dollars in non-interest bearing depository transaction accounts held in U.S. offices of FDIC-insured institutions. All of the Authority's cash was on deposit in such institutions in such accounts and was covered under this guarantee. This coverage will last through December 31, 2009. At June 30, 2008, \$100 thousand of the bank balances was insured by the FDIC. The remaining balances were not insured or collateralized.

The Authority's unrestricted cash and cash equivalents consisted of bank deposits, money market funds and government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2009 and 2008, the carrying amounts and bank balances of unrestricted bank deposits were \$88 thousand and \$90 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 April 2, 2009 (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.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
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**NOTE 4 – INVESTMENTS (Continued)**

**Credit risk:** The Authority 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:** The Authority's investments, excluding the investments in the economic defeasance escrow account, mature within a year or less thereby limiting its exposure from rising interest.

The Authority's restricted investments in the economic defeasance escrow account held by the Authority's Trustee are reported at fair value. The investments included purchases of securities at a premium, resulting in higher yielding investments and this was included in the verification agent's computations to assure that the escrow fund provides for all future debt service on the economically defeased bonds.

The Authority's investments, including those restricted for the economic defeasance, as of June 30, 2009 and 2008 are as follows:

	2009	2008
	(in thousands)	
<b>Restricted including economic defeasance investments</b>		
Money market funds	\$ 1,251	\$ -
Securities of U.S. government agencies	1,187,472	1,182,341
Commercial paper	182,082	33,420
Total restricted investments	1,370,805	1,215,761
Less: amounts reported as cash equivalents	(329,546)	(410,876)
Total restricted investments, including economic defeasance	\$1,041,259	\$ 804,885
<b>Unrestricted</b>		
Money market funds	\$ 2,136	\$ -
Securities of U.S. government agencies	9,263	3,232
Total unrestricted investments	11,399	3,232
Less: amounts reported as cash equivalents	(11,399)	(3,232)
Total unrestricted investments	\$ -	\$ -

**NOTE 5 – BONDS PAYABLE**

Pursuant to the New York City Transitional Finance Authority Act (the "Act"), as amended, the Authority is authorized to issue \$13.5 billion of FTS. The Authority's statutory debt limit was increased subsequent to June 30, 2009 (see Note 9). The Authority had FTS outstanding, excluding Recovery Bonds, as of June 30, 2009 and 2008 of \$11.14 billion and \$11.31 billion, respectively, including \$32 million of economically defeased FTS. 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.

The Act also permits the Authority to have outstanding \$2.5 billion of Recovery Bonds. As of June 30, 2009 and 2008, the Authority had outstanding \$1.52 billion of Recovery Bonds.

The Authority funds its debt service requirements for FTS and Recovery Bonds and its operating expenditures from 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, 2009 and 2008.

All City personal income tax is paid by the State to the Authority. The Authority has pledged the personal income tax as collateral to secure its FTS and Recovery Bonds. The Authority retains personal income taxes in an amount sufficient to pay debt service on its FTS and Recovery Bonds and to pay certain operating expenditures, and remits the difference to the City. The Authority has no taxing power.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
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**NOTE 5 – BONDS PAYABLE (Continued)**

Legislation enacted in April 2006 enables the Authority to have outstanding up to \$9.4 billion of bonds, notes or other obligations for purposes of funding costs of the five-year educational facilities capital plan for the City's school system and certain operating expenditures. As of June 30, 2009 and 2008, the Authority had \$4.25 billion and \$2.0 billion of BARBs, respectively, outstanding.

Under the 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.

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

	<u>Balance</u>	<u>Bonds</u>	<u>Retired or</u>	<u>Balance</u>	<u>Bonds</u>	<u>Retired or</u>	<u>Balance</u>
	<u>June 30, 2007</u>	<u>Issued</u>	<u>Defeased</u>	<u>June 30, 2008</u>	<u>Issued</u>	<u>Defeased</u>	<u>June 30, 2009</u>
	----- (in thousands) -----						
1998 Fiscal Series A 4.20% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2023	\$ 176,945	\$ -	\$ (176,945)	\$ -	\$ -	\$ -	\$ -
1998 Fiscal Series B 4.00% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2027	402,525	-	-	402,525	-	(64,370)	338,155
1998 Fiscal Series C 4.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2026	225,555	-	-	225,555	-	(53,820)	171,735
5.80% to 6.375% serial taxable bonds maturing in varying installments through 2014	33,025	-	-	33,025	-	-	33,025
Variable rate tax-exempt bonds due in 2028 (a)	100,000	-	-	100,000	-	-	100,000
1999 Fiscal Series A 4.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2016	66,060	-	-	66,060	-	(31,855)	34,205
5.00% to 5.50% serial tax-exempt bonds maturing in varying installments through 2026	144,640	-	-	144,640	-	-	144,640
Variable rate tax-exempt bonds maturing in varying installments through 2028 (a)	277,500	-	-	277,500	-	-	277,500
1999 Fiscal Series B 3.25% to 5.125% serial and term tax-exempt bonds maturing in varying installments through 2024	259,375	-	-	259,375	-	(9,500)	249,875

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 – BONDS PAYABLE (Continued)**

	<u>Balance</u> <u>June 30, 2007</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2009</u>
	----- (in thousands) -----						
5.00% to 5.20% serial tax-exempt bonds maturing in varying installments through 2027	100,000	-	-	100,000	-	-	100,000
Variable rate tax-exempt bonds maturing in varying installments through 2028 (a)	50,000	-	-	50,000	-	-	50,000
1999 Fiscal Series C 3.50% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2028	54,035	-	-	54,035	-	(31,495)	22,540
5.75% to 6.50% serial taxable bonds maturing in varying installments through 2011	13,180	-	-	13,180	-	-	13,180
2000 Fiscal Series A 4.25% to 6.00% serial and term tax-exempt bonds maturing in varying installments through 2017	35,865	-	(4,250)	31,615	-	-	31,615
2000 Fiscal Series B 4.50% to 6.25% serial and term tax-exempt bonds maturing in varying installments through 2021	9,470	-	-	9,470	-	-	9,470
2000 Fiscal Series C 4.20% to 5.875% serial and term tax-exempt bonds maturing in varying installments through 2024	20,580	-	-	20,580	-	(7,145)	13,435
2001 Fiscal Series A 4.25% to 5.75% serial and term tax-exempt bonds maturing in varying installments through 2020	19,310	-	(745)	18,565	-	(2,795)	15,770
Variable rate tax-exempt bonds maturing in varying installments through 2030 (a)	100,000	-	-	100,000	-	-	100,000
2001 Fiscal Series B 3.75% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2020	196,230	-	(4,880)	191,350	-	(43,420)	147,930
Variable rate tax-exempt bonds maturing in varying installments through 2031 (a)	100,000	-	-	100,000	-	-	100,000



**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
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**NOTE 5 – BONDS PAYABLE (Continued)**

	<u>Balance</u> <u>June 30, 2007</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2009</u>
----- (in thousands) -----							
2001 Fiscal Series C 3.65% to 5.50% serial and term tax-exempt bonds maturing in varying installments through 2022	256,935	-	(23,545)	233,390	-	(27,945)	205,445
Variable rate tax-exempt bonds maturing in varying installments through 2032 (a)	100,000	-	-	100,000	-	-	100,000
2002 Fiscal Series A 4.00% to 5.375% serial and term tax-exempt bonds maturing in varying installments through 2031	80,475	-	(3,215)	77,260	-	-	77,260
2002 Fiscal Series B 3.50% to 5.00% serial and term tax-exempt bonds maturing in varying installments through 2031	307,345	-	-	307,345	-	-	307,345
Variable rate taxable bonds maturing in varying installments through 2030 (a)	177,120	-	(50)	177,070	-	(55)	177,015
2002 Fiscal Series C 4.25% to 5.50% serial tax-exempt bonds maturing in varying installments through 2032	168,540	-	-	168,540	-	-	168,540
2003 Fiscal Series A 3.00% to 6.00% serial, term and capital appreciation tax-exempt bonds maturing in varying installments through 2029 (b)	1,065,075	-	-	1,065,075	-	-	1,065,075
2003 Fiscal Series B 3.00% to 5.375% serial and term tax-exempt bonds maturing in varying installments through 2029 (c)	634,875	-	-	634,875	-	(19,415)	615,460
2003 Fiscal Series C 2.50% to 5.25% serial tax-exempt bonds maturing in varying installments through 2025	328,130	-	(13,195)	314,935	-	-	314,935
Variable rate tax-exempt bonds maturing in varying installments through 2031 (a)	150,000	-	-	150,000	-	-	150,000
2003 Fiscal Series D 2.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2031	461,055	-	-	461,055	-	-	461,055
2.65% to 4.80% serial taxable bonds maturing in varying installments throughout 2013	46,900	-	-	46,900	-	-	46,900

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 – BONDS PAYABLE (Continued)**

	<u>Balance</u> <u>June 30, 2007</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2009</u>
	----- (in thousands) -----						
2003 Fiscal Series E 2.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2033	453,180	-	-	453,180	-	-	453,180
2004 Fiscal Series A 3.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2033	123,495	-	(1,765)	121,730	-	-	121,730
2004 Fiscal Series B 2.00% to 5.25% serial and term varying installments through 2032	470,345	-	(7,245)	463,100	-	-	463,100
2004 Fiscal Series C 2.00% to 5.25% serial and term tax-exempt bonds maturing in varying installments through 2033	475,790	-	-	475,790	-	-	475,790
2004 Fiscal Series D 2.00% to 5.00% serial tax-exempt bonds maturing in varying installments through 2017	393,205	-	-	393,205	-	-	393,205
2005 Fiscal Series A 2.50% to 5.00% serial tax-exempt bonds maturing in varying installments through 2024	718,435	-	-	718,435	-	(42,640)	675,795
2005 Fiscal Series B 2.50% to 4.125% serial tax-exempt bonds maturing in varying installments through 2020	6,445	-	-	6,445	-	(385)	6,060
2006 Fiscal Series A 3.00% to 5.00% serial tax-exempt bonds maturing in varying installments through 2030	505,410	-	-	505,410	-	-	505,410
2007 Fiscal Series A 3.375% to 5.25% serial tax-exempt bonds maturing in varying installments through 2022	500,000	-	-	500,000	-	(32,545)	467,455
5.13% to 6.24% serial taxable bonds maturing in varying installments through 2018	200,000	-	-	200,000	-	-	200,000
Variable rate tax-exempt bonds maturing in varying installments through 2023 (a)	100,000	-	-	100,000	-	-	100,000
2007 Fiscal Series B 4.00% to 5.00% serial tax-exempt bonds maturing in varying installments through 2030	845,345	-	-	845,345	-	-	845,345

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 5 – BONDS PAYABLE (Continued)**

	<u>Balance</u> <u>June 30, 2007</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2009</u>
----- (in thousands) -----							
2007 Fiscal Series C 3.60% to 5.00% serial tax-exempt bonds maturing in varying installments through 2027	366,970	-	-	366,970	-	(17,565)	349,405
Variable rate tax-exempt bonds maturing in varying installments through 2027 (d)	111,200	-	-	111,200	-	-	111,200
Variable rate tax-exempt bonds maturing in varying installments through 2027 (d)	111,200	-	-	111,200	-	-	111,200
2009 Fiscal Series A							
3.00% to 5.25% serial tax-exempt bonds maturing in varying installments through 2019	-	-	-	-	199,810	-	199,810
2009 Fiscal Series B							
2.50% to 4.00% serial tax-exempt bonds maturing in varying installments through 2018	-	-	-	-	19,490	-	19,490
Total FTS bonds payable, excluding recovery bonds	<u>\$ 11,541,765</u>	<u>\$ -</u>	<u>\$ (235,835)</u>	<u>\$ 11,305,930</u>	<u>\$ 219,300</u>	<u>\$ (384,950)</u>	<u>\$ 11,140,280</u>
2003 Series 1 Recovery Bonds							
Variable rate tax-exempt bonds maturing in varying installments through 2022 (a)	\$ 405,900	\$ -	\$ (47,400)	\$ 358,500	\$ -	\$ -	\$ 358,500
2003 Series 2 Recovery Bonds							
Variable rate tax-exempt bonds maturing in varying installments through 2022 (a)	438,100	-	(54,800)	383,300	-	-	383,300
2003 Series 3 Recovery Bonds							
2.00% to 5.00% serial tax-exempt bonds maturing in varying installments through 2007	37,860	-	(37,860)	-	-	-	-
Variable rate tax-exempt bonds maturing in varying installments through 2022 (a)	<u>883,200</u>	<u>-</u>	<u>(103,100)</u>	<u>780,100</u>	<u>-</u>	<u>-</u>	<u>780,100</u>
Total recovery bonds payable	<u>1,765,060</u>	<u>-</u>	<u>(243,160)</u>	<u>1,521,900</u>	<u>-</u>	<u>-</u>	<u>1,521,900</u>
Total tax secured bonds payable	<u>13,306,825</u>	<u>-</u>	<u>(478,995)</u>	<u>12,827,830</u>	<u>219,300</u>	<u>(384,950)</u>	<u>12,662,180</u>
2007 Series S-1 Building Aid Revenue 3.50% to 5.00% serial tax-exempt bonds maturing in varying installments through 2036	650,000	-	-	650,000	-	(9,405)	640,595

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008**

**NOTE 5 – BONDS PAYABLE (Continued)**

	<u>Balance</u> <u>June 30, 2007</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Bonds</u> <u>Issued</u>	<u>Retired or</u> <u>Defeased</u>	<u>Balance</u> <u>June 30, 2009</u>
----- (in thousands) -----							
2007 Series S-2 Building Aid Revenue 3.50% to 5.00% serial tax-exempt bonds maturing in varying installments through 2037	650,000	-	-	650,000	-	(9,415)	640,585
2008 Series S-1 Building Aid Revenue 3.00% to 5.00% serial and term bonds maturing in varying installments through 2038	-	700,000	-	700,000	-	-	700,000
2009 Series S-1 Building Aid Revenue 3.00% to 5.75% serial and term bonds maturing in varying installments through 2038	-	-	-	-	300,000	-	300,000
2009 Series S-2 Building Aid Revenue 4.00% to 6.00% serial and term bonds maturing in varying installments through 2038	-	-	-	-	320,000	-	320,000
2009 Series S-3 Building Aid Revenue 3.00% to 5.75% serial and term bonds maturing in varying installments through 2039	-	-	-	-	650,000	-	650,000
2009 Series S-4 Building Aid Revenue 2.5% to 5.75% serial and term bonds maturing in varying installments through 2039	-	-	-	-	400,000	-	400,000
2009 Series S-5 Building Aid Revenue 3.00% to 5.25% serial and term bonds maturing in varying installments through 2039	-	-	-	-	600,000	-	600,000
Total building aid revenue bonds payable	<u>1,300,000</u>	<u>700,000</u>	<u>-</u>	<u>2,000,000</u>	<u>2,270,000</u>	<u>(18,820)</u>	<u>4,251,180</u>
Total bonds payable	14,606,825	<u>700,000</u>	<u>(478,995)</u>	14,827,830	<u>2,489,300</u>	<u>(403,770)</u>	16,913,360
Less: current portion of bonds payable	<u>(105,905)</u>			<u>(175,600)</u>			<u>(173,820)</u>
Bonds payable due after one year	\$ <u>14,500,920</u>			\$ <u>14,652,230</u>			\$ <u>16,739,540</u>

(a) Variable rates are adjusted daily or weekly 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%.

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**NOTE 5 – BONDS PAYABLE (Continued)**

- (b) Fiscal 2003 Series A bonds include bonds callable on November 1, 2011. The callable term bonds are \$659.77 million maturing on November 1, 2026 and \$122.50 million maturing on November 1, 2028. Capital appreciation bonds (accrued value of \$112.36 million on November 1, 2011), maturing on November 1, 2029, are also callable. If these bonds are not called on November 1, 2011, the interest to be paid to the bondholders converts, without further notice to bondholders, to 14% per annum. The callable bonds are subject to redemption prior to maturity or, if a liquidity facility has been provided, purchase in lieu thereof, on 30 days' notice, beginning November 1, 2011 at the option of the Authority in whole or in part at any time, at a price of 100% of their principal amount plus accrued interest to the redemption date.
- (c) \$482.49 million of Fiscal 2003 Series B term bonds maturing on February 1, 2029 are callable on February 1, 2011. If these bonds are not called on February 1, 2011, the interest to be paid to the bondholders converts, without further notice to bondholders, to 10% per annum. Other bonds in this series callable on February 1, 2012 or later are those that mature on February 1, 2013, 2014 and 2015 with no change to the interest rate if not called. The Fiscal 2003 Series B Bonds maturing on February 1, 2029 are subject to redemption prior to maturity or, if a liquidity facility has been provided, purchase in lieu thereof, on 30 days' notice, beginning on February 1, 2011 at the option of the Authority in whole or in part at any time, at a price of 100% of their principal amount plus accrued interest to the redemption date.
- (d) Auction rates are set weekly through auction. The rates cannot exceed 12%.

Included in bonds payable on June 30, 2009 and 2008 were \$32 million of FTS 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.

On April 2, 2009, the Authority issued \$219.3 million of FTS and together with the premium received of \$15.39 million, advanced refunded \$228.17 million of its outstanding FTS. This advance refunding resulted in an accounting loss of \$5.0 million, which is recorded as deferred bond refunding costs on the statement of net assets. The Authority in effect reduced the aggregate debt service by \$13.1 million and obtained an economic benefit of \$10.95 million.

On February 15, 2008, the Authority defeased \$745 thousand of outstanding FTS with current revenue of \$723.02 thousand. The escrow deposited with the Authority's Trustee was funded with Defeasance Collateral (as defined in the Authority's Indenture) to provide for all future debt service on the defeased bonds. The refunding using Defeasance Collateral resulted in the refunded bonds being removed from reported bonds outstanding. This refunding resulted in an accounting gain of \$22 thousand.

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, 2009 and 2008, the Authority had bonds refunded with Defeasance Collateral totaling \$5.30 billion and \$5.07 billion, respectively, of which \$2.43 billion and \$3.38 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, 2009 AND 2008**

**NOTE 5 – BONDS PAYABLE (Continued)**

Debt service requirements as of June 30, 2009, for FTS, including recovery bonds, payable to their maturity are as follows:

	<u>Principal</u>	<u>Interest (a)</u>	<u>Total</u>
	----- (in thousands) -----		
Year ended June 30,			
2010	\$ 143,795	\$ 528,438	\$ 672,233
2011	492,705	516,214	1,008,919
2012	598,140	555,690	1,153,830
2013	631,450	570,391	1,201,841
2014	638,205	542,633	1,180,838
2015 to 2019	3,460,370	2,233,981	5,694,351
2020 to 2024	3,540,500	1,335,337	4,875,837
2025 to 2029	2,485,900	524,819	3,010,719
2030 to 2034	<u>671,115</u>	<u>52,021</u>	<u>723,136</u>
	<u>\$ 12,662,180</u>	<u>\$ 6,859,524</u>	<u>\$19,521,704</u>

- (a) Interest on the callable Fiscal 2003 Series A and Fiscal 2003 Series B term bonds which would convert to 14% and 10%, respectively, on the call date 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, are computed in this table at the 14% or 10% rates, as if those bonds were not called. Actual variable rates at June 30, 2009 averaged approximately 1.33% on tax-exempt bonds, 2.85% on taxable bonds and 3.27% on auction bonds, which are the rates used in this table. 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 \$8.08 billion from the \$6.86 billion in the above table.

Debt service accounts have been established under the Authority's Indenture to provide security for the payment of interest on and principal of bonds outstanding. The principal and interest required to be paid are deposited into the applicable debt service account in the quarter preceding the payment due date.

Debt service requirements at June 30, 2009, for BARBs payable to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	----- (in thousands) -----		
Year ended June 30,			
2010	\$ 30,025	\$ 194,790	\$ 224,815
2011	65,455	209,305	274,760
2012	71,190	206,899	278,089
2013	75,850	204,290	280,140
2014	84,845	201,297	286,142
2015 to 2019	490,680	945,453	1,436,133
2020 to 2024	608,805	815,781	1,424,586
2025 to 2029	776,780	644,427	1,421,207
2930 to 2034	993,515	423,565	1,417,080
2035 to 2039	<u>1,054,035</u>	<u>146,255</u>	<u>1,200,290</u>
	<u>\$ 4,251,180</u>	<u>\$ 3,992,062</u>	<u>\$ 8,243,242</u>

As of June 30, 2009 and 2008, the Authority maintained its required debt service accounts as follows:

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
	(in thousands)			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Required for FTS	\$ 33,880	\$ 124,429	\$ 32,545	\$ 138,032
Required for BARBs	\$ 30,025	\$ 194,790	\$ 18,820	\$ 80,878



**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

**NOTE 5 – BONDS PAYABLE (Continued)**

The Authority held approximately \$649.49 million and \$542.68 million in excess of amounts required to be retained for FTS debt service under the Indenture as of June 30, 2009 and 2008, respectively. The Authority held approximately \$143.48 million and \$145.65 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2009 and 2008, respectively.

**NOTE 6 – UNRESTRICTED GRANT FROM THE CITY OF NEW YORK**

In fiscal years 2009 and 2008, the Authority received unrestricted grants from the City in the amount of \$645.75 million and \$545.75 million, respectively. These funds are used to fund debt service requirements for FTS debt service and its operating expenses during the fiscal years ending June 30, 2009 and 2010, respectively.

**NOTE 7 – IMPLEMENTATION OF GASB 48**

The Authority implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity—Transfers of Assets and Future Revenues* (“GASB 48”) in fiscal year 2008. GASB 48 establishes accounting and financial reporting standards for governmental entities that have exchanged an interest in expected cash flows from collecting specific receivables or specific future revenues, and established the criteria that are used to ascertain whether the exchange should be reported as a sale or as a collateralized borrowing.

The implementation of GASB 48 changed the accounting and financial reporting for the Authority’s disbursements of BARBs proceeds to the City and receipt of building aid from New York State (“State”) to the Authority pursuant to the assignment to the Authority by the City in fiscal year 2007 of building aid payments from the State 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 under GASB 48, this 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 effect of the implementation of GASB 48 on the fund financial statements is to report distributions to the City for its educational facilities capital program as an other financing use of funds, rather than as an expenditure, as these distributions are now considered loans to the City. Building aid retained by the Authority is treated as an other financing source, as the retained amount is now considered to be repayments from the City of the amount loaned to the City by the Authority.

**NOTE 8 – 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 and building aid revenue flowing through the Authority’s accounts.

**NOTE 9 – SUBSEQUENT EVENTS**

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. In addition, the Authority may issue additional FTS 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.

On July 30, 2009, the Authority issued \$900 million, Fiscal 2010 Series A, FTS, the proceeds of which will be used to finance general City capital expenditures and other discrete capital purposes.

On August 27, 2009, the Authority issued \$800 million, Fiscal 2010 Series B, FTS, the proceeds will be used, along with other funds of the Authority, to refund, at or prior to maturity, outstanding FTS.

## PROPOSED FORM OF BOND COUNSEL OPINION

August 16, 2010

**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 2011 Subseries A-1, A-2, A-3 and A-4 (the "New Bonds"). The New Bonds are being issued pursuant to Charter 16, Laws of New York, 1997, as amended (the "Act"), to the Amended and Restated Original Indenture, dated June 4, 2010, 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.

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 secured on a parity with the Authority's Recovery Obligations and Subordinate Bonds issued on a parity with Recovery Obligations. The Authority is authorized to issue additional bonds (together with such bonds heretofore and simultaneously 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. 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 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, not 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. The Authority and the City have covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), relating to the exclusion from gross income of the interest on the Subseries A-3 Bonds (the "Tax-Exempt Bonds") for purposes of federal income taxation. Assuming compliance by the Authority and the City with such provision of the Tax 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 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 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 income tax liability. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of (i) ownership of such Tax-Exempt Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

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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**\$900,000,000**  
**New York City Transitional**  
**Finance Authority**  
**Future Tax Secured Bonds Fiscal 2011**

**\$614,405,000 Subseries A-1**  
**Taxable Subordinate Bonds**  
**(Build America Bonds)**  
**\$147,060,000 Subseries A-2**  
**Taxable Subordinate Bonds**  
**(Qualified School Construction Bonds)**  
**\$138,535,000 Subseries A-3**  
**Tax-Exempt Subordinate Bonds**

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**OFFERING CIRCULAR**

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**August 4, 2010**

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