This Preliminary Offering Circular and the information contained herein are subject to completion or amendment. The Authority has authorized the distribution of this document to prospective purchasers and others for information purposes only. These securities may not be sold nor may offers to buy be accepted prior to the time the Offering Circular is delivered in final form. Under no circumstances shall this Preliminary Offering Circular constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the securities described herein in any jurisdiction in which any such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFERING CIRCULAR DATED OCTOBER 27, 2014

NEW ISSUE

In the opinion of Fulbright & Jaworski LLP, Bond Counsel to the Authority for Tax Matters, interest on the Fixed Rate Bonds will be exempt from personal income taxes imposed by the State of New York (the "State") or any political subdivision thereof, including The City of New York (the "City"), and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Subseries B-1 Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes. Interest on the Subseries B-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.

$850,000,000*
New York City Transitional Finance Authority
Future Tax Secured Subordinate Bonds
Fiscal 2015 Series B

$700,000,000* Subseries B-1
Tax-Exempt Bonds

$150,000,000* Subseries B-2
Taxable Bonds

Dated: Date of Delivery **Due: As shown on inside cover page**

The Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2015 Subseries B-1 (the "Subseries B-1 Bonds") and the Future Tax Secured Taxable Subordinate Bonds, Fiscal 2015 Subseries B-2 (the "Subseries B-2 Bonds" and, together with the Subseries B-1 Bonds, each of which will bear interest at a fixed rate, the "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, as restated December 1, 2010, as supplemented (the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York, as Trustee (the "Trustee").

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

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

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

Purchases of the Fixed Rate Bonds will be made in book-entry form in denominations of $5,000 and integral multiples thereof. Interest on the Fixed Rate Bonds accrues from the dated date, and is payable on each February 1 and August 1, commencing February 1, 2015.

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

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

The Subseries B-1 Bonds are being offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters. The Subseries B-2 Bonds are being sold by public letting on the basis of electronic competitive bids in accordance with a Notice of Sale dated October 27, 2014. See "APPENDIX F—FORM OF NOTICE OF SALE FOR SUBSERIES B-2 BONDS." The issuance of the Fixed Rate Bonds is subject to the approval of legality of the Fixed Rate Bonds and certain other matters by Sidley Austin LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Fulbright & Jaworski LLP, New York, New York, a member of Norton Rose Fulbright, Bond Counsel to the Authority for Tax Matters, and by the New York City Corporation Counsel. Certain legal matters will be passed upon for the Underwriters of the Subseries B-1 Bonds and for the Initial Purchaser of the Subseries B-2 Bonds by their co-counsel, Hawkins Delafield & Wood LLP, New York, New York and Gonzalez Saggio & Harlan LLP, New York, New York. It is expected that the Fixed Rate Bonds will be available for delivery in New York, New York on or about November 13, 2014.

Barclays Capital
Goldman, Sachs & Co.
Morgan Stanley

BofA Merrill Lynch
Loop Capital Markets LLC

J.P. Morgan
Wells Fargo Securities

Citigroup
Oppenheimer & Co., Inc.
RBC Capital Markets
Siebert Brandford Shank & Co. L.L.C.

Fidelity Capital Markets
Ramirez & Co., Inc.
Rice Financial Products Company
Southwest Securities, Inc.

Jefferies
Raymond James
Roosevelt & Cross Incorporated
Stifel, Nicolaus & Company, Incorporated

BNY Mellon Capital Markets, LLC
Sterne, Agee & Leach, Inc.

Estrada Hinojosa & Company, Inc.
US Bancorp

Prager & Co., LLC
The Williams Capital Group, LP

November , 2014

* Preliminary, subject to change.

$850,000,000*
New York City Transitional Finance Authority
Future Tax Secured Subordinate Bonds
Fiscal 2015 Series B

$700,000,000*
Subseries B-1 Tax-Exempt Bonds

Due August 1,*	Principal Amount	Interest Rate	Price or Yield	CUSIP Number[1] (Base CUSIP)
2016	$	%	%	
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				

$ % Fiscal 2015 Subseries B-1 Term Bonds due August 1, — Yield % CUSIP Number[1]

$150,000,000*
Subseries B-2 Taxable Bonds

Due August 1,*	Principal Amount	Interest Rate	Price or Yield	CUSIP Number[1] (Base CUSIP)
2018	$	%	%	
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				

* Preliminary, subject to change.

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

THE SUBSERIES B-1 BONDS ARE BEING ISSUED AS MULTI-MODAL BONDS IN THE FIXED RATE MODE. THIS OFFERING CIRCULAR DOES NOT DESCRIBE TERMS SPECIFICALLY APPLICABLE TO SUCH SUBSERIES B-1 BONDS BEARING INTEREST AT RATES OTHER THAN A FIXED RATE. SEE "SECTION IV: THE FIXED RATE BONDS—OPTIONAL REDEMPTION AND MANDATORY TENDER OF SUBSERIES B-1 BONDS."

Certain information in this Offering Circular has been provided by the City and other sources considered by the Authority to be reliable. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized. No dealer, broker, salesperson or other person has been authorized by the Authority, the Underwriters or the Initial Purchaser to give any information or to make any representation with respect to the Fixed Rate Bonds, other than those contained in this Offering Circular, and if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Fixed Rate Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriters and the Initial Purchaser have reviewed the information in this Offering Circular in accordance with their responsibilities to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriters and the Initial Purchaser do not guaranty the accuracy or completeness of such information.

This Offering Circular includes forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the City and the amount of Tax Revenues (as defined herein), the inclusion in this Offering Circular of such forecasts, projections and estimates should not be regarded as a representation by the Authority, the Underwriters or the Initial Purchaser 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 OFFERINGS AND SALES OF THE FIXED RATE BONDS, NO ACTION HAS BEEN TAKEN BY THE AUTHORITY THAT WOULD PERMIT A PUBLIC OFFERING OF THE FIXED RATE BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE FIXED RATE BONDS, THIS OFFERING CIRCULAR OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE FIXED RATE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE UNDERWRITERS AND THE INITIAL PURCHASER ARE OBLIGATED TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION IN WHICH THEY PURCHASE, OFFER OR SELL THE FIXED RATE BONDS OR POSSESS OR DISTRIBUTE THIS OFFERING CIRCULAR OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE FIXED RATE BONDS AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY THEM FOR THE PURCHASE, OFFER OR SALE BY THEM OF THE FIXED RATE BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION TO WHICH THEY ARE SUBJECT OR IN WHICH THEY MAKE SUCH PURCHASES, OFFERINGS OR SALES AND THE AUTHORITY SHALL HAVE NO RESPONSIBILITY THEREFOR.

THE FIXED RATE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY BODY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

DELOITTE & TOUCHE LLP, THE AUTHORITY'S INDEPENDENT AUDITOR, HAS NOT REVIEWED, COMMENTED ON OR APPROVED, AND IS NOT ASSOCIATED WITH, THIS OFFERING CIRCULAR. THE REPORT OF DELOITTE & TOUCHE LLP RELATING TO THE AUTHORITY'S FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013, WHICH IS A MATTER OF PUBLIC RECORD, IS INCLUDED IN THIS OFFERING CIRCULAR. HOWEVER, DELOITTE & TOUCHE LLP HAS NOT PERFORMED ANY PROCEDURES ON ANY FINANCIAL STATEMENTS OR OTHER FINANCIAL INFORMATION OF THE AUTHORITY, INCLUDING WITHOUT LIMITATION ANY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR, SINCE THE DATE OF SUCH REPORT AND HAS NOT BEEN ASKED TO CONSENT TO THE INCLUSION OF ITS REPORT IN THIS OFFERING CIRCULAR.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS, WITH RESPECT TO THE SUBSERIES B-1 BONDS, AND THE INITIAL PURCHASER, WITH RESPECT TO THE SUBSERIES B-2 BONDS, MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE FIXED RATE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SUMMARY OF TERMS

The following is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular. Terms used in this Offering Circular and not defined herein are defined in "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

Issuer	The New York City Transitional Finance Authority (the "Authority") is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the "State") created by the New York City Transitional Finance Authority Act (as amended, the "Act").
Securities Offered	The following Bonds of the Authority are to be issued pursuant to the Amended and Restated Original Indenture, as restated December 1, 2010 (as supplemented, the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York, as trustee (the "Trustee"): $700,000,000* Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2015 Subseries B-1 (the "Subseries B-1 Bonds"); and $150,000,000* Future Tax Secured Taxable Subordinate Bonds, Fiscal 2015 Subseries B-2 (the "Subseries B-2 Bonds" and, together with the Subseries B-1 Bonds, each of which will bear interest at a fixed rate, the "Fixed Rate Bonds"). The Subseries B-1 Bonds are being issued as multi-modal bonds in the fixed rate mode. This Offering Circular does not describe terms specifically applicable to such Subseries B-1 Bonds bearing interest at rates other than a fixed rate. See "SECTION IV: THE FIXED RATE BONDS—Optional Redemption and Mandatory Tender of Subseries B-1 Bonds." The Fixed Rate 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 Fixed Rate Bonds will be issued as Parity Debt subordinate to Senior Debt Service and operating expenses of the Authority. The Fixed Rate Bonds will be issued on a parity with the Authority's Recovery Obligations and other Subordinate Bonds issued on a parity with Recovery Obligations (together, "Parity Debt"). See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS."
The Offering	The Subseries B-1 Bonds are being offered to the public, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters. The Subseries B-2 Bonds are being offered to the public when, as and if issued by the Authority, pursuant to a Notice of Sale, dated October 27, 2014, in the form attached hereto as APPENDIX F.

* Preliminary, subject to change.

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 of New York (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 (as defined herein), 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 B-1 Bonds will be used to finance general City capital expenditures. The proceeds of the Subseries B-2 Bonds will be used for other discrete capital purposes. Certain expenses of the Authority incurred in connection with the issuance of the Fixed Rate Bonds will be paid from the proceeds of the Fixed Rate Bonds.
Tax Revenues	The Fixed Rate 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. Current tax law does not provide for Personal Income Tax on City nonresidents. Since the adoption of the Personal Income Tax in 1966, Personal Income Tax Revenues have risen from approximately $130 million to approximately $9.2 billion in fiscal year 2013. Personal Income Tax

	Revenues are projected to be approximately $9.5 billion, $9.2 billion, $9.7 billion, $10.0 billion and $10.3 billion in fiscal years 2014 through 2018, 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 $6.1 billion in fiscal year 2013. Sales Tax Revenues are projected to be approximately $6.5 billion, $6.7 billion, $7.0 billion, $7.3 billion and $7.6 billion in fiscal years 2014 through 2018, 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. The Act was last 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 September 30, 2014, the City's and the Authority's combined debt-incurring capacity was approximately $24.3 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 date of issuance less the aggregate amount of operating expenses of the Authority for the current fiscal year is at least three times the amount of annual Senior Debt Service, including debt service on such Series of Bonds proposed to be issued, for each fiscal year such bonds will be Outstanding. See "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT." Parity Debt or Notes in anticipation thereof (which are subordinate to Senior Bonds and Notes) may be issued, provided that collections of Tax Revenues for the most recent fiscal year ended at least two months prior to the date of such issuance are, for each fiscal year during which such proposed Parity Debt is to be outstanding, at least three times the sum of $1.32 billion (Covenanted Maximum Annual Debt Service for Senior Bonds) and annual debt service on Outstanding Parity Debt, together with the Series proposed to be issued. See "SECTION V: THE AUTHORITY—Other Authority Obligations."
Outstanding Authority Indebtedness	The Authority has Outstanding $25,364,695,000 of Future Tax Secured Bonds consisting of $1,696,545,000 of Senior Bonds and $23,668,150,000 of Parity Debt (including $974,005,000 of Recovery Obligations), which are the only Subordinate Bonds payable from the Tax Revenues. Of such Senior Bonds, $1,012,000,000 are variable rate bonds. Of such Parity Debt, $2,767,200,000 are variable rate bonds. The Authority expects to issue additional Future Tax Secured Bonds, including Senior Bonds and Parity Debt, from time to time for general City purposes and for refunding purposes. For information relating to anticipated issuance of Future Tax Secured Bonds, see "SECTION V: THE AUTHORITY—Plan of Finance." The Authority has Outstanding $5,987,595,000 of Building Aid Revenue Bonds and expects to issue additional Building Aid Revenue Bonds in the future. All of the Building Aid Revenue Bonds are fixed rate bonds. Currently, the Authority has no Senior Agreements. See "SECTION V: THE AUTHORITY—Other Authority Obligations" and "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

State and City Covenants.....	The Act and the Indenture contain the covenant of the State with the Bondholders (the "State Covenant") that the State shall not limit or alter the rights vested in the Authority by the Act to fulfill the terms of the Indenture, or in any way impair the rights and remedies of such holders or the security for the Bonds until such Bonds, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged. The State Covenant does not restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Tax, but such taxes payable to the Authority will in all events continue to be so payable so long as any such taxes are imposed. The Act and the Indenture also contain the covenant of the State that in the event Personal Income Tax Revenues payable to the Authority during any fiscal year are projected by the Mayor of the City to be insufficient to provide at least 150% of maximum annual debt service on Outstanding Bonds, the State Comptroller shall pay to the Authority from Sales Tax Revenues such amount as is necessary to provide at least 150% of such maximum annual debt service on Outstanding Bonds. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Sales Tax." The State is not obligated to make any additional payments or impose any taxes to satisfy the debt service obligations of the Authority. In accordance with the Act, the City has pledged and agreed with the holders of the Bonds (the "City Covenant") that the City will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with such holders pursuant to the Act, or in any way impair the rights and remedies of such holders or the security for the Bonds until the Bonds are fully paid and discharged. Nothing contained in the Act or the Agreement restricts any right the City may have to amend, modify, repeal or otherwise alter local laws imposing or relating to the Personal Income Tax Revenues payable to the Authority so long as, after giving effect to such amendment, modification or other alteration, the amount of Tax Revenues projected by the Mayor to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration is not less than 150% of maximum annual debt service on Outstanding Bonds. For more information regarding the State and City Covenants, see "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Agreements of the State and the City."
Interest and Principal.....	Interest on the 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, 2015. The record date for payment of interest on the Fixed Rate Bonds is the fifteenth day of the calendar month immediately preceding the interest payment date. Principal of the Fixed Rate Bonds will be due as shown on the inside cover page and herein. Principal of and interest on the Fixed Rate Bonds will be paid from Tax Revenues on deposit in the Recovery and Parity Debt Account or

	Redemption Account, if applicable. Tax Revenues shall be deposited into the Recovery and Parity Debt Account in accordance with the retention schedule as described in "Retention Procedures" below.
Mandatory Redemption	The Subseries B-1 Bonds maturing on August 1, are term bonds subject to mandatory redemption prior to maturity as described herein. See "SECTION IV: THE FIXED RATE BONDS—Mandatory Redemption."
Optional Redemption or Mandatory Tender.....	The Subseries B-1 Bonds maturing on or before August 1, are not subject to optional redemption or mandatory tender prior to their stated maturity dates. The Subseries B-1 Bonds maturing after August 1, are subject to optional redemption at par or mandatory tender at par at the option of the Authority, prior to their stated maturity dates, in whole or in part, on any date on or after August 1, , as described herein. See "SECTION IV: THE FIXED RATE BONDS—Optional Redemption and Mandatory Tender of Subseries B-1 Bonds." The Subseries B-2 Bonds maturing after August 1, are subject to optional redemption at par prior to their stated maturity date at the option of the Authority, in whole or in part, on any date on or after August 1, , as described herein. See "SECTION IV: THE FIXED RATE BONDS—Optional Redemption of Subseries B-2 Bonds—Optional Redemption." The Subseries B-2 Bonds are subject to make-whole 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 FIXED RATE BONDS—Optional Redemption of Subseries B-2 Bonds—Make-Whole Optional Redemption."
Form and Denomination	The Fixed Rate Bonds will be issued only in fully registered form registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). The 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 (the "Agreement"), 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 Fixed Rate 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 Fixed Rate 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." The transfers and payments under the Indenture shall be appropriately adjusted by the Authority to reflect, among other things, expected Revenues, and any purchase or redemption of Bonds, so that there will be available on each payment date the amount necessary to pay principal of and interest on the Fixed Rate Bonds from the designated source of Revenues.
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 FIXED RATE BONDS—Defeasance."
Tax Matters.....	In the opinion of Fulbright & Jaworski LLP, Bond Counsel to the Authority for Tax Matters, interest on the Fixed Rate Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City; and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Subseries B-1 Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes. Interest on the Subseries B-2 Bonds will be includable in gross income of the owners thereof for federal income tax purposes. See "SECTION VII: TAX MATTERS."
Ratings.....	The Fixed Rate Bonds are rated " " by Standard & Poor's Ratings Services ("Standard & Poor's"), " " by Moody's Investors Service, Inc. ("Moody's") and " " by Fitch Ratings ("Fitch").
Authority Contact	Mr. Scott Nemecek Phone Number: (212) 788-6499 Email: nemeceks@omb.nyc.gov

SECTION I: INTRODUCTION

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

$700,000,000* Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2015 Subseries B-1 (the "Subseries B-1 Bonds"); and

$150,000,000* Future Tax Secured Taxable Subordinate Bonds, Fiscal 2015 Subseries B-2 (the "Subseries B-2 Bonds" and, together with the Subseries B-1 Bonds, each of which will bear interest at a fixed rate, the "Fixed Rate Bonds").

The Subseries B-1 Bonds are being issued as multi-modal bonds in the fixed rate mode. This Offering Circular does not describe terms specifically applicable to such Subseries B-1 Bonds bearing interest at rates other than a fixed rate.

The Fixed Rate 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 Fixed Rate Bonds will be issued as Parity Debt subordinate to Senior Debt Service and operating expenses of the Authority. The Fixed Rate Bonds will be issued on a parity with the Authority's Recovery Obligations and other Subordinate Bonds issued on a parity with Recovery Obligations (together, "Parity Debt"). Interest on and principal of the Fixed Rate 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 Fixed Rate Bonds are being issued pursuant to the Act and the Amended and Restated Original Indenture, as restated December 1, 2010, as supplemented (the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York, as Trustee (the "Trustee"). The Authority and the City entered into a Financing Agreement (the "Agreement"), dated October 1, 1997, as amended, supplemented and in effect from time to time, which provides for the application of the Authority's Bond proceeds to fund capital expenditures of the City and Recovery Costs and includes various covenants of the City.

The factors affecting the Authority and the Fixed Rate 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."

* Preliminary, subject to change.

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

General

The Fixed Rate Bonds are to be issued as Parity Debt. Interest on and principal of the Fixed Rate 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 Tax 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 Fixed Rate 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 Fixed Rate 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 Fixed Rate Bonds other than the Tax Revenues. The Fixed Rate Bonds will not be guaranteed by the City or the State. Consequently, the holders of the Fixed Rate Bonds must rely for repayment solely upon collection of the Tax Revenues and certain accounts held by the Trustee pursuant to the Indenture.

The Authority also derives Revenues from State Building Aid, and federal subsidies with respect to Build America Bonds and Qualified School Construction Bonds under the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), but such Revenues are not pledged to the Holders of the Fixed Rate Bonds. Pursuant to the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012, certain automatic reductions (commonly referred to as "sequester") became effective as of March 1, 2013. The subsidy payments to the Authority were reduced by 7.2% in federal fiscal year 2014, by 7.3% for federal fiscal year 2015 and, unless legislative action is taken, will be reduced by 7.3% in each federal fiscal year thereafter. The effect of such reduction in the Authority's fiscal year 2014 was approximately $9.6 million in cash subsidy payments. However, such cash subsidy payments payable to the Authority are not pledged to holders of the Fixed Rate Bonds and are not reflected in the calculation of debt service coverage in the tables in this Offering Circular. For a description of the application of such federal subsidies under the Indenture, see "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

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

The Authority is not authorized by State law to file a petition in bankruptcy pursuant to Title 11 (the "Bankruptcy Code") of the United States Code. Based on State and federal constitutional, statutory and case law and the terms of the Indenture and the Agreement, Bond Counsel is of the opinion that if the debts of the City were adjusted under the Bankruptcy Code and the City or its creditors were to assert a right to the Tax Revenues equal or prior to the rights of the holders of the Future Tax Secured Bonds, such assertion would not succeed.

Tax Revenues

The Fixed Rate 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. Current tax law does not provide for Personal Income Tax on City nonresidents. 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.

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 1999 to 2013 and forecasted collections of Tax Revenues for fiscal years 2014 through and including 2018 are shown in the following table. Forecasted collections of Tax Revenues included in this Offering Circular are as forecasted by the New York City Office of Management and Budget ("NYC OMB") as set forth in the City Financial Plan dated June 26, 2014 (the "Financial Plan"). The City expects to release its audited financial statements for fiscal year 2014 at the end of October 2014, at which time projected Tax Revenues for fiscal year 2014 will be finalized.

HISTORICAL AND FORECASTED AMOUNTS OF TAX REVENUES

Fiscal Year	Tax Revenues (millions)	Fiscal Year	Tax Revenues (millions)
1999	$8,639	2009	$11,431
2000	8,961	2010	11,808
2001	9,485	2011	13,217
2002	7,908	2012	13,839
2003	7,785	2013	15,365
2004	9,037	2014[1]	15,987
2005	10,873	2015[1]	15,926
2006	11,756	2016[1]	16,632
2007	12,375	2017[1]	17,277
2008	13,696	2018[1]	17,845

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

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

Debt Service Coverage

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

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

and other Parity Debt including annual debt service on the Series proposed to be issued, as estimated in accordance with the Indenture.

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

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

Fiscal Year	Tax Revenues (millions)[1]	Coverage[2]
2004	$ 9,037	12.33x
2005	10,873	12.12
2006	11,756	12.43
2007	12,375	13.79
2008	13,696	12.45
2009	11,431	10.92
2010	11,808	9.69
2011	13,217	12.40
2012	13,839	9.22
2013	15,365	9.10

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

(2) Coverage is based on total Tax Revenues received in the fiscal year indicated divided by Tax Revenues required to be retained by the Authority in such year for debt service, calculated without giving effect to prepayments of Authority debt service with grants from the City. Figures may not tally due to rounding.

The following table shows projected debt service coverage on Future Tax Secured Bonds in fiscal years 2014 through 2018.

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

Fiscal Year	Tax Revenues (millions)[1]	Debt Service (millions)[2]	Coverage[3]
2014	$15,987	$1,641	9.74x
2015	15,926	2,170	7.34
2016	16,632	2,207	7.54
2017	17,277	2,428	7.12
2018	17,845	2,609	6.84

(1) Forecast. Source: NYC OMB. Figures do not reflect deductions for State Oversight Retention Requirements.

(2) For fiscal year 2014, figure reflects actual bond issuance and retention. For fiscal years 2015 through 2018, figures are calculated based on Outstanding bonds and bonds projected to be issued as described under "SECTION V: THE AUTHORITY—Plan of Finance" assuming interest rates of 5% on Outstanding tax-exempt variable rate bonds and 6% on all bonds projected to be issued through 2018. Projections do not reflect the federal subsidy on Build America Bonds and Qualified School Construction Bonds. Projections are based on amounts of Tax Revenues to be retained by the Authority and are calculated without giving effect to prepayments of Authority debt service with grants from the City.

(3) Figures may not tally due to rounding.

Servicing

Personal Income Tax Collection

The New York State Department of Taxation and Finance collects the Personal Income Tax from employers and individual taxpayers and reports the amount of such funds to the State Comptroller, who holds such collections net of overpayments by taxpayers and administrative costs in trust for the Authority. The amount of overpayments and administrative costs paid by the State Comptroller out of gross Personal Income Tax collections has averaged 15.3% of the annual collections for fiscal years 2009 through 2013. 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 Tax Revenues" herein. Payments of the Personal Income Tax Revenues by the State Comptroller to the Authority are not subject to State or City appropriation.

Sales Tax Collection

Sales Tax is collected by vendors and service providers in the City and remitted to the New York State Department of Taxation and Finance monthly, quarterly or annually based on the volume of sales. The New York State Department of Taxation and Finance reports the amounts of such collections to the State Comptroller. Payment of Sales Tax collections by the State Comptroller to the Authority is not subject to City or State appropriation. In the event the Mayor of the City certifies to the State Comptroller that Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of maximum annual debt service on Outstanding Bonds, the Act requires the State Comptroller to pay to the Authority from Sales Tax collections available after payments of State Oversight Retention Requirements and the deduction of State administrative costs, an amount necessary to provide at least 150% of maximum annual debt service on the Authority's Outstanding Bonds. In the event Personal Income Tax Revenues are projected to provide coverage of at least 150% of maximum annual debt service on the Outstanding Bonds, no Sales Tax Revenues will be paid by the State Comptroller to the Authority. See "—Agreements of the State and the City" below. The Authority has instructed the State Comptroller to pay Sales Tax Revenues directly to the Trustee, if required, for application in accordance with the Indenture. For more information regarding the application of Statutory Revenues upon receipt by the Trustee, see "—Application of Tax 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. Current tax law does not provide for Personal Income Tax on City nonresidents. Personal Income Tax collections, net of overpayments and administrative costs required to be paid, are referred to herein as "Personal Income Tax Revenues" and are Revenues of the Authority when they are paid or payable to the Trustee.

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

In the past, various components of the Personal Income Tax have changed. The Personal Income Tax for 2002 was imposed on City residents according to a schedule of rates (the "Base Rate") and was subject to an additional 14% surcharge (the "14% Surcharge") with a resulting maximum rate of 3.648%. The Base Rate and the 14% Surcharge were replaced with a temporary rate schedule for 2003 through 2005. The top rate under this temporary schedule was 4.45%. For 2006, the temporary schedule returned to the Base Rate and the 14% Surcharge. Commencing in 2010, the Base Rate was increased for taxpayers with taxable income above $500,000, such that the

maximum total tax rate is 3.876%. The Base Rate and the 14% Surcharge will remain in effect until their scheduled expiration on January 1, 2018. On January 1, 2018, unless legislation is passed which extends the Base Rate and the 14% Surcharge, a lower rate schedule (the "Reduced Base Rate") with a maximum rate of 1.48% is to become effective. The Base Rate, which was implemented in 1989 has, since such time, been scheduled to decline to the Reduced Base Rate on several occasions but such scheduled reductions did not occur because the Base Rate was extended.

The forecasts of Personal Income Tax Revenues contained herein reflect the extension of the 14% Surcharge and the current Base Rate after 2017. If the 14% Surcharge is not extended prior to its expiration, forecast Personal Income Tax Revenues (and Tax Revenues) would be reduced by an estimated $454 million in fiscal year 2018. 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, forecasted Personal Income Tax Revenues (and Tax Revenues) would be reduced by an estimated $2.5 billion in fiscal year 2018. In such an event, forecasted Tax Revenues exceed projected annual debt service on Senior Bonds and Parity Debt by an estimated $12.7 billion in fiscal year 2018.

Personal Income Tax Revenues were approximately $130 million in fiscal year 1967. The following table shows Personal Income Tax Revenues for fiscal years 1999 through 2013 and forecasted Personal Income Tax Revenues for fiscal years 2014 through 2018.

HISTORICAL AND FORECASTED PERSONAL INCOME TAX REVENUES

Fiscal Year	Personal Income Tax Revenues (millions)	Fiscal Year	Personal Income Tax Revenues (millions)
1999	$5,397	2009	$6,685
2000	5,528	2010	6,867
2001	5,771	2011	7,626
2002	4,500	2012	7,994
2003	4,495	2013	9,226
2004	5,552	2014[1]	9,512
2005	6,503	2015[1]	9,236
2006	7,329	2016[1]	9,662
2007	7,748	2017[1]	9,993
2008	8,810	2018[1]	10,265

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

(1) Forecast.

For fiscal years 2003 through 2013, an average of 77.5% of Personal Income Tax Revenues was collected through mandatory withholding by employers as a percentage of wage income paid to employees. For fiscal year 2013, $6.5 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 2003 through 2013, approximately 17.2% of Personal Income Tax Revenues was collected from taxpayers through quarterly installment payments on non-wage income and self-employment earnings, and approximately 5.3% 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 1999 through 2013 and forecasted Sales Tax Revenues for fiscal years 2014 through 2018.

HISTORICAL AND FORECASTED SALES TAX REVENUES

Fiscal Year	Sales Tax Revenues (millions)	Fiscal Year	Sales Tax Revenues (millions)
1999	$3,242	2009	$4,746
2000	3,433	2010	4,940
2001	3,714	2011	5,591
2002	3,408	2012	5,845
2003	3,289	2013	6,139
2004	3,485	2014[1]	6,475
2005	4,370	2015[1]	6,690
2006	4,427	2016[1]	6,970
2007	4,627	2017[1]	7,284
2008	4,886	2018[1]	7,580

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

(1) Forecast.

Application of Tax Revenues

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

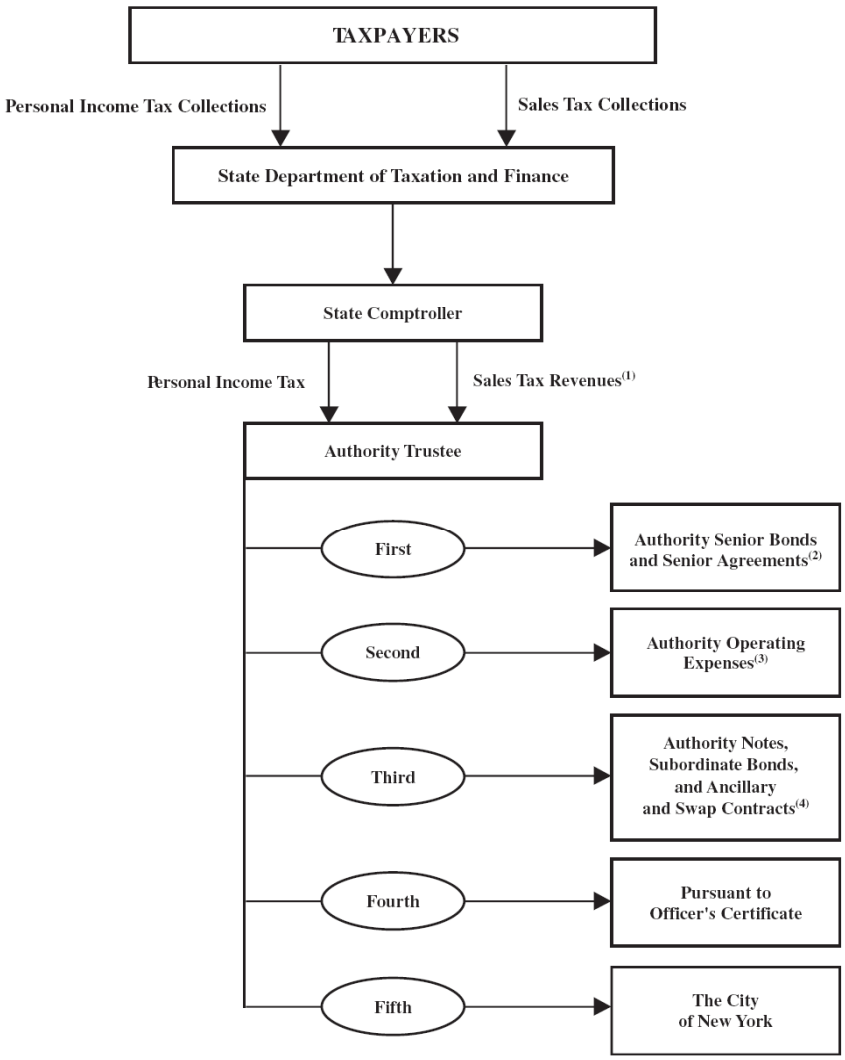
All Tax Revenues in the Tax Revenue Subaccount of the Collection Account shall be applied upon receipt by the Trustee in the following order of priority: *first,* to the Bond Account to pay Senior Debt Service in accordance with the Retention Procedures described below; *second,* to the Authority's operating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

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

Post-07 S-1 Senior Subaccount and a Pre-07 S-1 Senior Subaccount and within the Recovery and Parity Debt Account a Post-07 S-1 Parity Subaccount and Pre-07 S-1 Parity Subaccount in order to permit the application of State Building Aid for the benefit of Pre-07 S-1 Bonds.

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

SUMMARY OF COLLECTION AND APPLICATION OF TAX REVENUES



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

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

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

(4) After payment of Authority operating expenses, Tax Revenues are applied for the benefit of Noteholders (for interest only), Subordinate Bondholders and parties to ancillary and swap contracts.

Retention Procedures

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

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

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

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

Agreements of the State and the City

In the Act, the State pledges and agrees with the holders of the Bonds that the State will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with such holders pursuant to the Act, or in any way impair the rights and remedies of such holders or the security for the Bonds until the Bonds are fully paid and discharged. The Act provides that nothing therein restricts the right of the State to amend, modify,

repeal or otherwise alter statutes imposing or relating to the Personal Income Tax, but such taxes payable to the Authority shall in all events continue to be so payable so long as any such taxes are imposed.

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

In accordance with the Act, the City will pledge and agree with the holders of the Bonds that the City will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with such holders pursuant to the Act, or in any way impair the rights and remedies of such holders or the security for the Bonds until the Bonds are fully paid and discharged. Nothing contained in the Act or the Agreement restricts any right the City may have to amend, modify, repeal or otherwise alter local laws imposing or relating to the Personal Income Tax Revenues payable to the Authority so long as, after giving effect to such amendment, modification or other alteration, the amount of Tax Revenues projected by the Mayor to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration is not less than 150% of maximum annual debt service on Outstanding Bonds of the Authority.

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

The covenants of the City and the State described above shall be of no force and effect with respect to any Bond if there is on deposit in trust with a bank or trust company sufficient cash or Defeasance Collateral to pay when due all principal of, applicable redemption premium, if any, and interest on such Bond.

SECTION III: ECONOMIC AND DEMOGRAPHIC INFORMATION

This section presents certain economic and demographic information about the City which may affect the Tax Revenues of the Authority. All information is presented on a calendar year basis unless otherwise indicated. The data set forth are the latest available. Sources of information are indicated in the text or immediately following the tables. Although the Authority considers the sources to be reliable, the Authority has made no independent verification of the information presented herein and does not warrant its accuracy.

New York City Economy

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

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

Economic activity in the City has experienced periods of growth and recession and can be expected to experience periods of growth and recession in the future. The City experienced a recession in the early 1970s through the middle of that decade, followed by a period of expansion in the late 1970s through the late 1980s. The City fell into recession again in the early 1990s, which was followed by an expansion that lasted until 2001. The economic slowdown that began in 2001 as a result of the September 11 attack, a national economic recession, and a downturn in the securities industry came to an end in 2003. Subsequently, Wall Street activity, tourism, and the real

estate market drove a broad-based economic recovery until the second half of 2007. A decrease in economic activity began in the second half of 2007 and continued through the first half of 2010. The Financial Plan assumes that the gradual increase in economic activity that began in the second half of 2010 will continue through 2014.

Personal Income

Total personal income for City residents, unadjusted for the effects of inflation and the differential in living costs, increased from 2002 to 2012 (the most recent year for which City personal income data are available). From 2002 to 2008, personal income averaged 4.8% growth for both the City and the nation. Total personal income in the City decreased by 2.6% in 2009 and increased by 5.7%, 6.1% and 3.1% in 2010 through 2012, respectively. Total personal income in the nation decreased by 2.8% in 2009 and increased by 2.9%, 6.1% and 4.2% in 2010 through 2012, respectively. The following table sets forth information regarding personal income in the City from 2002 to 2012.

PERSONAL INCOME[1]

Year	Total City Personal Income (billions)	City Per Capita Personal Income	U.S. Per Capita Personal Income	City Per Capita Personal Income as a Percent of U.S.
2002	$303.1	$37,548	$31,798	118.1%
2003	309.5	38,367	32,676	117.4
2004	329.0	40,904	34,300	119.3
2005	345.5	43,120	35,888	120.2
2006	377.7	47,253	38,127	123.9
2007	415.4	51,842	39,804	130.2
2008	419.7	52,015	40,873	127.3
2009	408.7	50,263	39,357	127.7
2010	432.1	52,758	40,163	131.4
2011	458.2	55,412	42,298	131.0
2012	472.3	56,652	43,735	129.5

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

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

Employment

The City is a leading center for the banking and securities industry, life insurance, communications, publishing, fashion design and retail fields. Over the past two decades, the City has experienced a number of business cycles. From 1992 to 2000, the City added 453,900 private sector jobs (growth of 17%). From 2000 to 2003, the City lost 174,700 private sector jobs (decline of 6%). From 2003 to 2008, the City added 255,300 private sector jobs (growth of 9%). From 2008 to 2009, the City lost 103,800 private sector jobs (decline of 3%). From 2009 to 2013, the City added 297,700 private sector jobs (growth of 10%). All such changes are based on average annual employment levels through and including the years referenced. As of September 2014, total employment in the City was 4,066,000 compared to 3,972,500 in September 2013, an increase of approximately 2.4%. The table below shows the distribution of employment from 2003 to 2013.

NEW YORK CITY EMPLOYMENT DISTRIBUTION

	Average Annual Employment (in thousands)										
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Goods-Producing Sectors											
Construction	113	112	113	119	127	133	121	113	112	116	121
Manufacturing	127	121	114	106	101	96	82	76	76	76	76
Service-Producing Sectors											
Trade, Transportation and Utilities	534	540	548	559	571	575	552	559	575	589	603
Information	164	160	163	165	167	170	165	166	171	176	179
Financial Activities	434	436	445	458	468	465	434	429	440	439	437
Professional and Business Services	537	542	556	572	592	604	569	576	598	620	644
Educational and Health Services	657	664	677	693	704	718	733	751	768	785	809
Leisure and Hospitality	260	270	277	285	298	310	309	322	342	366	380
Other Services	149	151	153	154	158	161	160	161	165	170	174
Total Private Sector	2,974	2,995	3,047	3,111	3,185	3,229	3,126	3,152	3,247	3,338	3,423
Total Government Sector	557	554	556	555	559	564	567	558	551	546	544
Total	3,531	3,549	3,602	3,666	3,744	3,793	3,693	3,710	3,797	3,884	3,967

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

Note: Totals may not add due to rounding.

Sectoral Distribution of Employment and Earnings

In 2012, the City's service producing sectors provided approximately 3.2 million jobs and accounted for approximately 81% 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 2012, the employment share for the financial activities and professional and business services sectors was approximately 27% while the earnings share for those same sectors was approximately 48%. In the nation, those same service producing sectors accounted for only approximately 19% of employment and 26% of earnings in 2012. Due to the earnings distribution in the City, sudden or large shocks in the financial markets may have a disproportionately adverse effect on the City relative to the nation.

The City's and the nation's employment and earnings by sector for 2012 are set forth in the following table.

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS IN 2012[1]

	Employment		Earnings[2]	
	City	U.S.	City	U.S.
Goods-Producing Sectors				
Mining	0.0%	0.6%	0.1%	1.7%
Construction	3.0	4.2	3.0	5.3
Manufacturing	2.0	8.9	1.3	10.0
Total Goods-Producing	5.0	13.7	4.3	17.1
Service-Producing Sectors				
Trade, Transportation and Utilities	15.2	19.0	8.8	15.4
Information	4.5	2.0	6.5	3.2
Financial Activities	11.3	5.8	27.3	9.0
Professional and Business Services	16.0	13.4	20.6	16.7
Education and Health Services	20.2	15.4	11.3	12.8
Leisure & Hospitality	9.4	10.3	4.9	4.2
Other Services	4.4	4.0	2.9	3.7
Total Service-Producing	81.0	69.9	82.3	65.0
Total Private Sector	85.9	83.7	88.1	82.3
Government[3]	14.1	16.3	11.9	17.7

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

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

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

(2) Includes the sum of wage and salary disbursements, other labor income, and proprietor's income. The latest information available is 2012 data.

(3) Excludes military establishments.

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

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

SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS[1]

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

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

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

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

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

(3) Excludes military establishments.

Taxable Sales

The City is a major retail trade market with the greatest volume of retail sales of any city in the nation. The Sales Tax is levied on a variety of economic activities including retail sales, utility and communication sales, services and manufacturing. Taxable sales and purchases reflects data from the State Department of Taxation and Finance publication "Taxable Sales and Purchases, County and Industry Data." The yearly data presented in this paragraph and the table below covers the period from March 1 of the year prior to the listed year through the last day of February of the listed year. Between 2002 and 2008, total taxable sales volume growth rate averaged 4.4%. From 2009 to 2010, total taxable sales volume decreased by 6.3%, reflecting a decline in consumption as a result of local employment losses and the local and national recessions. Between 2010 and 2012, total taxable sales volume growth rate averaged 8.9%, primarily as a result of an increase in consumption as a result of local employment gains and the local and national economic recoveries, as well as two sales tax base expansions enacted by the City, effective August 1, 2009.

The following table illustrates the volume of sales and purchases subject to the Sales Tax from 2002 to 2012.

TAXABLE SALES AND PURCHASES SUBJECT TO SALES TAX

Year[1]	Retail[2] (billions)	Utility & Communication Sales[3] (billions)	Services[4] (billions)	Manufacturing (billions)	Other[5] (billions)	City Other[6] (billions)	Total (billions)
2002	$25.6	$11.9	$20.7	$2.0	$15.2	$5.4	$80.9
2003	26.1	11.4	21.0	1.8	14.8	6.5	81.6
2004	32.3	11.6	21.7	1.9	14.8	7.1	89.5
2005	36.5	12.0	24.1	2.1	16.2	7.3	98.2
2006	35.9	13.2	26.3	2.2	17.9	9.6	105.1
2007	33.4	12.8	28.1	2.4	19.4	10.6	106.7
2008	33.3	13.5	31.5	2.8	20.7	13.1	115.0
2009	31.3	14.3	31.8	2.7	19.8	13.8	113.6
2010	31.0	13.9	30.1	2.2	17.9	11.3	106.4
2011	36.6	13.7	33.7	4.6	15.0	12.7	116.4
2012[7]	41.4	13.5	36.8	5.0	16.2	13.3	126.2

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

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

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

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

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

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

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

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

(7) Preliminary.

Population

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

POPULATION OF NEW YORK CITY

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

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

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

The United States Census Bureau estimates that the City's population increased to 8,405,837 in July 2013.

SECTION IV: THE FIXED RATE BONDS

General

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

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

The Subseries B-1 Bonds are being issued as multi-modal bonds in the fixed rate mode. This Offering Circular does not describe terms specifically applicable to such Subseries B-1 Bonds bearing interest at rates other than a fixed rate.

Mandatory Redemption

The Subseries B-1 Bonds maturing August 1, 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:

August 1,	Principal Amount to be Redeemed
	$
*	

*Stated maturity.

The Authority may apply or credit against any annual amount subject to mandatory redemption, the principal amount of any Subseries B-1 Bonds of the same maturity that have been defeased, purchased or redeemed and not previously so applied or credited.

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

Optional Redemption and Mandatory Tender of Subseries B-1 Bonds

The Subseries B-1 Bonds maturing on or before August 1, are not subject to optional redemption prior to maturity. The Subseries B-1 Bonds maturing after August 1, 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, (the "Call Date") at a price of 100% of their principal amount plus accrued interest to the redemption date. In the event that such Subseries B-1 Bonds are defeased to their maturity in the future, the Authority expects that such Subseries B-1 Bonds will remain subject to optional redemption by the Authority.

The Subseries B-1 Bonds are being issued as multi-modal bonds in the fixed rate mode. The Subseries B-1 Bonds are not subject to mandatory tender prior to the Call Date. The Authority may cause a mandatory tender of such Bonds on or after the Call Date at the optional redemption price by giving 30 days' written notice to the Holders, subject to the Authority's providing a source of payment therefor in accordance with the Indenture and the Act. If notice of mandatory tender has been given and funds prove insufficient, the Subseries B-1 Bonds not purchased shall continue in the fixed rate mode, without change in interest rate, maturity date or other terms. Other modes to which such Bonds may be converted are not described in this Offering Circular.

See "—Notice of Redemption; Selection of Bonds to be Redeemed" below for information on the manner of selection of the Subseries B-1 Bonds to be redeemed as described under this subheading "Optional Redemption and Mandatory Tender of Subseries B-1 Bonds."

Optional Redemption of Subseries B-2 Bonds

Optional Redemption

The Subseries B-2 Bonds maturing after August 1, 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, at a price of 100% of their principal amount plus accrued interest to the redemption date. In the event that such Subseries B-2 Bonds are defeased to their maturity in the future, the Authority expects that such Subseries B-2 Bonds will remain subject to optional redemption by the Authority.

Make-Whole Optional Redemption

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

(1) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Subseries B-2 Bonds to be redeemed; or

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

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

"Treasury Rate" means, with respect to any redemption date for a particular Subseries B-2 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

* Preliminary, subject to change.

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 Subseries B-2 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.

See "—Notice of Redemption; Selection of Bonds to be Redeemed" below for information on the manner of selection of the Subseries B-2 Bonds to be redeemed as described under this subheading "Optional Redemption of Subseries B-2 Bonds."

Notice of Redemption; Selection of Bonds to be Redeemed

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

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

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

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

Defeasance

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

Debt Service Requirements

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

	Outstanding Future Tax Secured Bonds Debt Service[1][2]		Debt Service on the Fixed Rate Bonds			Total Future Tax Secured Bonds Debt Service[1][2]		
Fiscal Year	Senior Debt Service	Subordinate Debt Service	Principal and Sinking Fund Requirements	Interest	Total	Senior Debt Service	Subordinate Debt Service	Total
2015	$194,683,257	$1,511,973,356						
2016	117,052,428	1,780,251,595						
2017	113,241,553	1,892,440,240						
2018	77,450,734	1,940,881,695						
2019	125,180,278	2,104,394,662						
2020	159,561,290	2,026,261,641						
2021	165,483,709	1,968,570,947						
2022	112,559,134	1,946,525,874						
2023	132,050,796	1,891,126,419						
2024	116,126,072	1,761,643,301						
2025	114,755,106	1,652,051,836						
2026	163,244,384	1,596,326,475						
2027	260,337,461	1,507,213,950						
2028	256,153,737	1,458,662,375						
2029	235,021,780	1,339,094,345						
2030	122,610,108	1,317,017,893						
2031	63,987,209	1,286,198,781						
2032	37,336,970	1,190,767,951						
2033		1,159,115,819						
2034		1,075,443,667						
2035		1,034,486,077						
2036		995,286,979						
2037		998,458,833						
2038		971,985,847						
2039		885,641,921						
2040		634,707,923						
2041		389,474,630						
2042		343,713,975						
2043		279,551,038						
2044		149,550,500						

Note: Totals may not add due to rounding.

(1) Figures reflect estimated debt service on tax-exempt variable rate bonds, calculated at an assumed interest rate of 5% per annum.

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

Use of Proceeds

The proceeds of the Subseries B-1 Bonds will be used for general City capital expenditures and the proceeds of the Subseries B-2 Bonds will be used to finance discrete capital purposes. Certain expenses of the Authority incurred in connection with the issuance and sale of the Fixed Rate Bonds will be paid from the proceeds of the Fixed Rate Bonds.

Book-Entry Only System

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

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

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

Purchases of the Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 such 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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payment of redemption proceeds and principal and interest 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 Participant 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 redemption proceeds and 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 services as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

THE AUTHORITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT

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

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC, AND 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.

Other Information

For additional information regarding the Fixed Rate Bonds and the Indenture, see "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

SECTION V: THE AUTHORITY

Purpose and Operations

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

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

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

Directors and Management

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

Dean A. Fuleihan, Chairperson	—	Director of Management and Budget of the City
Jacques Jiha	—	Commissioner of Finance of the City
Scott M. Stringer	—	Comptroller of the City
Feniosky Peña-Mora	—	Commissioner of the Department of Design and Construction of the City
Melissa Mark-Viverito	—	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.

Prescott D. Ulrey, Secretary

Mr. Ulrey was appointed Assistant Secretary in 1998, and subsequently was appointed General Counsel in 2000 and Secretary in 2013. 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 General Counsel at the Office of Management and Budget of the City.

F. Jay Olson, Treasurer

Mr. Olson was appointed Assistant Treasurer in 2000, and subsequently was appointed Treasurer in 2006. He is a graduate of Northwestern University, the University of Texas at Austin, and the John F. Kennedy School of Government at Harvard University. He also serves as Assistant Director at the Office of Management and Budget of the City.

Philip Wasserman, Deputy Treasurer

Mr. Wasserman was appointed Deputy Treasurer in 2009. He is a graduate of Cornell University, the University of Texas at Austin and Columbia University. He also serves as Assistant Director at the Office of Management and Budget of the City. He is also a Professional Engineer.

Robert L. Balducci, Comptroller

Mr. Balducci was appointed Assistant Comptroller in 2009, and subsequently was appointed Deputy Comptroller in 2011 and Comptroller in 2014. He is a graduate of Baruch College of the City University of New York.

Kemraj Narine, Deputy Comptroller

Mr. Narine was appointed Assistant Comptroller in 2011, and subsequently was appointed Deputy Comptroller in 2014. He is a graduate of York College of the City University of New York.

Al Rodriguez, Assistant Secretary

Mr. Rodriguez was appointed Assistant Secretary in 2013. He is a graduate of the University of New Mexico and Columbia Law School. He also serves as Chief of the Municipal Finance Division of the New York City Law Department.

Jeffrey M. Werner, Assistant Secretary

Mr. Werner was appointed Assistant Secretary in 2013. He is a graduate of Bowdoin College and Columbia Law School. He also serves as Deputy General Counsel at the Office of Management and Budget of the City.

Laura A. Tarbox, Assistant Treasurer

Ms. Tarbox was appointed Assistant Treasurer in 2014. She is a graduate of Cornell University. She also serves as Supervising Analyst at the Office of Management and Budget of the City.

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. The Act was last 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 September 30, 2014, the City's and the Authority's combined debt-incurring capacity was approximately $24.3 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 $25,364,695,000 of Future Tax Secured Bonds consisting of $1,696,545,000 of Senior Bonds and $23,668,150,000 of Parity Debt (including $974,005,000 of Recovery Obligations), which are the only Subordinate Bonds payable from the Tax Revenues. Of such Senior Bonds, $1,012,000,000 are variable rate bonds. Of such Parity Debt, $2,767,200,000 are variable rate bonds. For further information regarding the Authority's variable rate bonds, see "APPENDIX C—VARIABLE RATE BONDS."

The Authority has Outstanding $5,987,595,000 of Building Aid Revenue Bonds. The Authority expects to issue additional Building Aid Revenue Bonds in the future. All of the Building Aid Revenue Bonds are fixed rate bonds. Building Aid Revenue Bonds are not secured by Tax Revenues. Currently, the Authority has no Senior Agreements.

Plan of Finance

The Authority projects that it will issue approximately $3.5 billion (including bonds issued to date), $2.6 billion, $2.6 billion and $2.5 billion during fiscal years 2015 through 2018, respectively, of Future Tax Secured Bonds for general City capital purposes. 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 Fixed Rate Bonds or questioning or affecting the validity of the Fixed Rate 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 Exemption

In the opinion of Fulbright & Jaworski LLP, New York, New York, as Bond Counsel to the Authority for Tax Matters ("Tax Counsel"), interest on the Fixed Rate Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

Tax-Exempt Bonds

The Authority and the City have covenanted in Tax Certificates to comply with certain 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 B-1 Bonds (the "Tax-Exempt Bonds") for purposes of federal income taxation. In the opinion of Tax Counsel, assuming compliance by the Authority and the City with such covenants, interest on the Tax-Exempt Bonds will be excludable from the gross income of the owners thereof for purposes of federal income taxation. Failure by the Authority or the City to comply with such covenants may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds. Further, Tax 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 (including without limitation a change in the interest rate mode with respect to the Subseries B-1 Bonds) taken or not taken after the date of such opinion without the approval of Tax Counsel.

In the opinion of Tax Counsel, interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Tax Counsel, as a result of ownership of the Tax-Exempt Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income. Interest on the Tax-Exempt Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinions, Tax Counsel will rely on the opinion of Sidley Austin LLP, as Bond Counsel to the Authority, to the effect that the Tax-Exempt Bonds have been duly authorized, executed and issued in accordance with the Constitution of the State and the Act and constitute valid and legally binding obligations of the Authority. Sidley Austin LLP has not been engaged to review any matter or conduct any investigation or examination relating to the federal, state or local tax consequences with respect to the receipt of interest on the Tax-Exempt Bonds, or the ownership or the disposition of the Tax-Exempt Bonds, and takes no responsibility therefor. Furthermore, Sidley Austin LLP is not expressing any opinion as to any federal, state or local tax consequences arising with respect to the Tax-Exempt Bonds, the receipt of interest thereon or the ownership or disposition thereof, including, without limitation, the exclusion from gross income of interest on the Tax-Exempt Bonds.

Tax Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the covenants of the Authority and the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS" or the "Service") with respect to the matters addressed in the opinion of Tax Counsel, and Tax Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Tax-Exempt Bonds is commenced, under current procedures the IRS is likely to treat the Authority as the "taxpayer," and the owners of the Tax-Exempt Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Tax-Exempt Bonds, the Authority may have different or conflicting interests from the owners of the Tax-Exempt Bonds. Public awareness of any future audit of the Tax-Exempt Bonds could adversely affect the value and liquidity of the Tax-Exempt Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Tax Counsel expresses no opinion with respect to any federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations such as the Tax-Exempt Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change so as to reduce or eliminate the benefit to holders of the Tax-Exempt Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult with their own tax advisors with respect to any proposed changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Tax-Exempt Bonds

The initial public offering price of certain Tax-Exempt Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Tax-Exempt Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of

such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

The purchase price of certain Tax-Exempt Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Tax-Exempt Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Taxable Bonds

General. The following is a general summary of certain federal income tax consequences of the purchase and ownership of the Subseries B-2 Bonds (the "Taxable Bonds"). The discussion is based upon the Code, U.S. Treasury Regulations, rulings, and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretation. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a Taxable Bond by a Beneficial Owner thereof. Further, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Taxable Bonds in light of the investor's particular circumstances (for example, persons subject to the alternative minimum tax provisions of the Code), or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax-exempt organizations and entities, financial institutions, broker-dealers, persons who have hedged the risk of owning the Taxable Bonds, traders in securities that elect to use a mark-to-market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass-through entities, certain hybrid entities and owners of interests therein, persons who acquire Taxable Bonds in connection with the performance of services, or persons deemed to sell Taxable Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or U.S. federal tax laws other than U.S. federal income tax law. The summary is limited to certain issues relating to initial investors who will hold the Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code, and acquire such Taxable Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to Beneficial Owners of the Taxable Bonds who are United States persons within the meaning of Section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN, AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF THE TAXABLE BONDS.

Stated Interest and Reporting of Interest Payments. The stated interest on the Taxable Bonds will be included in the gross income, as defined in Section 61 of the Code, of the Beneficial Owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the Beneficial Owners thereof. Subject to certain exceptions, the stated interest on the Taxable Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will

reflect the name, address, and taxpayer identification number ("TIN") of the Beneficial Owner. A copy of Form 1099 will be sent to each Beneficial Owner of a Taxable Bond for federal income tax purposes.

Original Issue Discount. If the first price at which a substantial amount of the Taxable Bonds of any stated maturity is sold at original issuance (the "Issue Price") is less than the face amount by more than one quarter of one percent times the number of complete years to maturity, the Taxable Bonds of that maturity will be treated as being issued with "original issue discount". The amount of the original issue discount on each Taxable Bond of that maturity will equal the excess of the principal amount payable on that Taxable Bond at maturity over the Issue Price, and the amount of the original issue discount on such Taxable Bond will be accrued over its term using the "constant yield method" provided in the Treasury Regulations. As original issue discount on a Taxable Bond accrues under the constant yield method, the Beneficial Owner of a Taxable Bond with original issue discount will be required to include as interest each such accrual in its gross income regardless of its regular method of accounting. This can result in taxable income to the Beneficial Owner of a Taxable Bond issued with original issue discount that exceeds actual cash distributions on that Taxable Bond in the taxable year. The amount of any original issue discount that accrues on the Taxable Bonds each year will be reported annually to the IRS and to the Beneficial Owners. The portion of the original issue discount included in each Beneficial Owner's gross income while the Beneficial Owner holds a Taxable Bond will increase the adjusted tax basis of the Taxable Bond in the hands of such Beneficial Owner.

Premium. If a Beneficial Owner purchases a Taxable Bond for an amount that is greater than its stated redemption price at maturity, such Beneficial Owner will be considered to have purchased the Taxable Bond with "amortizable bond premium" equal in amount to such excess. A Beneficial Owner 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 Beneficial Owner 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 Beneficial Owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Taxable Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the Beneficial Owner 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.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Beneficial Owners of the Taxable Bonds should consult with their own tax advisors concerning this additional tax, as it may apply to interest earned on the Taxable Bonds as well as gain on the sale of a Taxable Bond.

Backup Withholding. Under Section 3406 of the Code, a Beneficial Owner of the Taxable Bonds who is a United States person may, under certain circumstances, be subject to "backup withholding" (currently at a rate of 28 percent) on current or accrued interest on the Taxable Bonds or with respect to proceeds received from a disposition of the Taxable Bonds. This withholding applies if such Beneficial Owner of Taxable Bonds: (i) fails to furnish to the payor such Beneficial Owner's social security number or other TIN; (ii) furnishes the payor an incorrect TIN; (iii) fails to report interest properly; or (iv) under certain circumstances, fails to provide the payor or such Beneficial Owner's broker with a certified statement, signed under penalty of perjury, that the TIN provided to the payor or broker is correct and that such Beneficial Owner is not subject to backup withholding. To establish status as an exempt person, a Beneficial Owner will generally be required to provide certification on IRS Form W-9 (or substitute form).

Backup withholding will not apply, however, if the Beneficial Owner is a corporation or falls within certain tax-exempt categories and, when required, demonstrates such fact. BENEFICIAL OWNERS OF THE TAXABLE BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THEIR QUALIFICATION FOR

EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURE FOR OBTAINING SUCH EXEMPTION, IF APPLICABLE. The backup withholding tax is not an additional tax and taxpayers may use amounts withheld as a credit against their federal income tax liability or may claim a refund as long as they timely provide certain information to the Service.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under Sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding of U.S. federal income tax by the payor at the rate of 30 percent on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such a Beneficial Owner of the Taxable Bonds is not treated as effectively connected income within the meaning of Section 864 of the Code, such interest will be subject to 30 percent withholding, or any lower rate specified in an income tax treaty, unless such income is treated as "portfolio interest." Interest will be treated as portfolio interest if (i) the Beneficial Owner provides a statement to the payor certifying, under penalties of perjury, that such Beneficial Owner is not a United States person and providing the name and address of such Beneficial Owner, (ii) such interest is treated as not effectively connected with the Beneficial Owner's United States trade or business, (iii) interest payments are not made to a person within a foreign country which the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion, (iv) interest payable with respect to the Taxable Bonds is not deemed contingent interest within the meaning of the portfolio debt provision, (v) such Beneficial Owner is not a controlled foreign corporation within the meaning of Section 957 of the Code, and (vi) such Beneficial Owner is not a bank receiving interest on the Taxable Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Taxable Bonds are treated as portfolio interest within the meaning of Sections 871 and 881 of the Code, then no withholding under Section 1441 and 1442 of the Code, and no backup withholding under Section 3406 of the Code is required with respect to Beneficial Owners or intermediaries who have furnished Form W-8 BEN, Form W-8 BEN-E, Form W-8 EXP, or Form W-8 IMY, as applicable, provided the payor has no actual knowledge or reason to know that such person is a United States person.

The preceding discussion of certain U.S. federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Taxable Bonds, including the applicability and effect of any state, local, or foreign tax laws, and of any proposed changes in applicable laws.

ERISA Considerations

The Employee 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 Fixed Rate Bonds, including the role that such an investment in the Fixed Rate Bonds would play in the Plan's overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Fixed Rate Bonds, must be satisfied that such investment in the Fixed Rate Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Fixed Rate Bonds, are diversified so as to minimize the risk of large losses and that an investment in the Fixed Rate Bonds complies with the documents of the Plan and related trust, to the extent that such documents are consistent with ERISA. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Fixed Rate Bond.

SECTION VIII: RATINGS

The Fixed Rate Bonds are rated " " by Standard & Poor's, " " by Moody's and " " by Fitch. Such ratings reflect only the views of Standard & Poor's, Moody's and Fitch from which an explanation of the significance of such ratings may be obtained. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment

of the Rating Agency originally establishing the rating, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Fixed Rate Bonds.

SECTION IX: APPROVAL OF LEGALITY

The legality of the authorization of the Fixed Rate Bonds will be affirmed by the approving legal opinion of Sidley Austin LLP, New York, New York, Bond Counsel to the Authority. Reference should be made to the form of such opinion as set forth in APPENDIX D hereto for the matters covered by such opinion and the scope of Bond Counsel's engagement in relation to the issuance of the Fixed Rate Bonds.

The opinion of Fulbright & Jaworski LLP, New York, New York, a member of Norton Rose Fulbright, Bond Counsel to the Authority for Tax Matters, will be substantially in the form of APPENDIX E hereto. Reference should be made to the form of such opinion for the matters covered by such opinion and the scope of Fulbright & Jaworski LLP's engagement in relation to the issuance of the Fixed Rate Bonds.

Certain legal matters are being passed upon for the Authority by the New York City Corporation Counsel.

Certain legal matters will be passed upon for the Underwriters and the Initial Purchaser by Hawkins Delafield & Wood LLP, New York, New York and Gonzalez Saggio & Harlan LLP, New York, New York, co-counsel for the Underwriters and the Initial Purchaser.

SECTION X: FINANCIAL ADVISORS

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

SECTION XI: FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the years ended June 30, 2014 and 2013 included in APPENDIX B to this Offering Circular have been audited by Deloitte & Touche LLP, independent certified public accountants, as stated in their report appearing therein. Deloitte & Touche LLP, the Authority's independent auditor, has not reviewed, commented on or approved, and is not associated with, this Offering Circular. The report of Deloitte & Touche LLP relating to the Authority's financial statements for the years ended June 30, 2014 and 2013, which is a matter of public record, is included in this Offering Circular. However, Deloitte & Touche LLP has not performed any procedures on any financial statements or other financial information of the Authority, including without limitation any of the information contained in this Offering Circular, since the date of such report and has not been asked to consent to the inclusion of its report in this Offering Circular.

SECTION XII: CONTINUING DISCLOSURE UNDERTAKING

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

The Authority shall provide:

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

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

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Fixed Rate Bonds, or other material events affecting the tax status of the Fixed Rate Bonds;

(7) modifications to rights of security holders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Fixed Rate Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Authority; which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority;

(13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(15) failure by the Authority to comply with clause (a) above.

The Authority will not undertake to provide any notice with respect to (1) credit enhancement if the credit enhancement is added after the primary offering of the Fixed Rate Bonds, the Authority does not apply for or participate in obtaining the enhancement and the enhancement is not described in the applicable Offering Circular; (2) a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if (a) the terms, dates and amounts of redemption are set forth in detail in the applicable offering circular, (b) the only open issue is which securities will be redeemed in the case of a partial redemption, (c) notice of redemption is given to the Holders as required under the terms of the Indenture and (d) public notice of the redemption is given pursuant to

Release No. 23856 of the SEC under the 1934 Act, even if the originally scheduled amounts may be reduced by prior optional redemptions or purchases; or (3) tax exemption other than pursuant to the Act or Section 103 of the Code.

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

An amendment to the Undertaking may only take effect if:

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

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

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

In certain cases, the Authority's continuing disclosure filings were not initially filed under the optimal tabs and all related CUSIP numbers within the EMMA system. For fiscal year 2012, with respect to its Building Aid Revenue Bonds, which are not being offered hereby, the Authority did not timely file a very small portion of its annual financial information and operating data. In addition, the Authority did not timely file a small number of notices of ratings changes on certain series of its bonds resulting from changes in the ratings of bond insurers.

SECTION XIII: UNDERWRITING

The Subseries B-1 Bonds are being purchased for reoffering by the Underwriters, for whom Barclays Capital Inc. is acting as Lead Manager.

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

The Subseries B-2 Bonds are being purchased for reoffering by (the "Initial Purchaser") pursuant to a Notice of Sale dated October 27, 2014, at an aggregate discount of $.

The delivery of the Subseries B-1 Bonds is dependent upon the delivery of the Subseries B-2 Bonds. The delivery of the Subseries B-2 Bonds is dependent upon the delivery of the Subseries B-1 Bonds.

The Subseries B-1 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.

In addition, certain of the Underwriters have entered, and the Initial Purchaser may have entered, into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters or are not the Initial Purchaser) for the distribution of the Fixed Rate Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter or the Initial Purchaser will share a portion of its underwriting compensation or selling concession with such broker-dealers.

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

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

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, the Undertaking 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, the Undertaking and the Agreement for full and complete statements of such provisions. Copies of the Act, the Indenture, the Undertaking 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 Fixed Rate Bonds.

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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APPENDIX A

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 Fixed Rate 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.

"**Alternative Revenues**" means (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.

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.

"Authorized Officer" means: (i) in the case of the Authority, the Chairperson, the Executive Director, the General Counsel, the Treasurer (who shall be the chief fiscal officer for purposes of the School Financing Act), each Deputy Treasurer or Assistant Treasurer, the Secretary, each Deputy Secretary or Assistant Secretary, their successors in office, and any other person authorized to act under the Indenture by appropriate written notice to the Trustee, and (ii) in the case of the Trustee, any officer assigned to the corporate trust office, including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of the Indenture, and also, with respect to a particular matter, any other officer, to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"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 or interest on obligations described in clause (B), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian;

(D) bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, and (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (A), (B), (C) or (E) which fund may be applied only to the payment when due of such bonds or other obligations; and

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

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

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

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

(i) Defeasance Collateral;

(ii) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, FNMA, the Federal Home Loan Bank System or the Federal Farm Credit System;

(iii) demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, if such deposits or instruments are rated A-1+ by Standard & Poor's and the long-term unsecured debt obligations of the institution holding the related account has one of the two highest ratings available for such securities by Moody's;

(iv) general obligations of, or obligations guaranteed by, any state of the United States or the District of Columbia receiving one of the two highest long-term unsecured debt ratings available for such securities by Moody's and Standard & Poor's;

(v) commercial or finance company paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) that is rated A-1+ by Standard & Poor's and in one of the two highest categories by Moody's;

(vi) repurchase obligations with respect to any security described in clause (i) or (ii) above entered into with a broker/dealer, depository institution or trust company (acting as principal) meeting the rating standards described in clause (iii) above;

(vii) securities bearing interest or sold at a discount that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated in one of the two highest categories by Moody's and either A-1+ or in one of the two highest long-term categories by Standard & Poor's at the time of such investment or contractual commitment providing for such investment; provided, however, that securities issued by any such corporation will not be Eligible Investments to the extent that investment therein would cause the then outstanding principal amount of securities issued by such corporation that are then held to exceed 20% of the aggregate principal amount of all Eligible Investments then held;

(viii) units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated in one of the two highest categories by Moody's and at least AAm or AAm-G by Standard & Poor's, including if so rated the VISTA Money Market Funds or any other fund which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee charges and collects fees and expenses (not exceeding current income) from such funds for services rendered, (b) the Trustee charges and collects fees and expenses for services rendered pursuant to the Indenture, and (c) services performed for such funds and pursuant to the Indenture may converge at any time (the Authority specifically authorizes the Trustee or an affiliate of the Trustee to charge and collect all fees and expenses from such funds for services rendered to such funds, in addition to any fees and expenses the Trustee may charge and collect for services rendered pursuant to the Indenture);

(ix) investment agreements or guaranteed investment contracts rated, or with any financial institution whose senior long-term debt obligations are rated, or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, in one of its two highest rating categories for comparable types of obligations by Moody's and Standard & Poor's; or

(x) investment agreements with a corporation whose principal business is to enter into such agreements if (a) such corporation has been assigned a counterparty rating by Moody's in one of the two highest categories and Standard & Poor's has rated the investment agreements of such corporation in one of the two highest categories and (b) the Authority has an option to terminate each agreement in the event that such counterparty rating is downgraded below the two highest categories by Moody's or the investment agreements of such corporation are downgraded below the two highest categories by Standard & Poor's;

provided that no Eligible Investment may evidence the right to receive only interest with respect to prepayable obligations underlying such instrument or be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

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

"FHLMC" means the Federal Home Loan Mortgage Corporation.

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

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

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

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

"FNMA" means the Federal National Mortgage Association.

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

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

"Incremental Building Aid" means Building Aid that is not Confirmed Building Aid.

"Indenture" means the Amended and Restated Original Indenture entered into as of October 1, 1997, as supplemented, and as amended and restated, between the Authority and the Trustee.

"LFL" means the Local Finance Law of the State, as amended from time to time.

"Majority in Interest" means the Holders of a majority of the Outstanding Bonds or Notes eligible to act on a matter, measured by face value at maturity unless otherwise specified in a Series Resolution.

The term **"maximum annual debt service on the Bonds"** means the greatest amount of interest, Sinking Fund Requirements and (without duplication) principal payments on Outstanding Bonds (including Subordinate Bonds and Senior Bonds but excluding Notes and ancillary and swap contracts, whether or not payments thereon are Debt Service) payable in the current or any future fiscal year.

"Moody's" means Moody's Investors Service; references to Moody's are effective so long as Moody's is a Rating Agency.

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

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

"Notes" means all obligations issued by the Authority as Notes under the Indenture.

"Officer's Certificate" means a certificate signed by an Authorized Officer of the Authority or the City.

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 has 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.

"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 2006 laws of New York, 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 in compliance with the provisions of the Indenture.

"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 (or, to the extent permitted by Series Resolution, other Bonds) 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 the Personal Income Taxes and the 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 Code" or **"Code"** means the Internal Revenue Code of 1986, as amended.

"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 Alternative Revenues (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 (including the Statutory Revenues) and the proceeds of such rights, (c) all money, contract rights, general intangibles and Accounts held by the Trustee, (d) the covenants of the City and the State in the Indenture, in the Agreement, in the Assignment and in the Act, 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 in the Indenture, 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 to the Indenture, 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 made by the Indenture 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 (to be verified by a nationally recognized firm of verification agents or independent certified public accountants), (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 verification agents or 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 obligations of the Authority secured by the pledge of the Indenture; 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 of Bonds. 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 pursuant to the Act. 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 expected Revenues, the date of issue of Notes or Bonds, any accrued or capitalized interest deposited in the Accounts, actual rates of interest, any amount needed or held in the Accounts for Debt Service or other obligations, 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 other obligations from the designated source of Revenues 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 Senior 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 in the Indenture, 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 by a particular Holder to receive notice, or any defect in the notice to such Holder, shall not affect the redemption of any other Bond or Note.

Unless otherwise specified by Series Resolution: (i) if less than all the Outstanding Bonds or Notes of like Series and maturity are to be redeemed, the particular Bonds or Notes to be redeemed shall be selected by the Trustee by such method as it shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denominations) of the principal of Bonds or Notes of a denomination larger than the minimum authorized denomination, and (ii) the Trustee shall redeem any and all Bonds or Notes held by the provider of an ancillary contract prior to any other Bonds or Notes redeemed hereunder unless otherwise directed by Officer's Certificate of the Authority.

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

Investments. Pending its use under the Indenture, 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 Sections 10.3 and 12 of 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 each subaccount of the Recovery 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 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 for application under the Indenture. 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.

Revenues shall in all events be transferred from the Collection Account to the Bond Account or the Redemption Account to provide for the timely payment of Debt Service on Pre-07 Senior Bonds, and all Revenues shall be applied to pay Debt Service and other amounts then overdue pursuant to those provisions of the Indenture summarized below under "*Application of Money.*"

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 such Sinking Fund Bonds as may be made payable therefrom. 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 Confirmed Building Aid and the Incremental 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 such Sinking Fund Bonds as may be made payable therefrom. 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).

A*pplication 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;

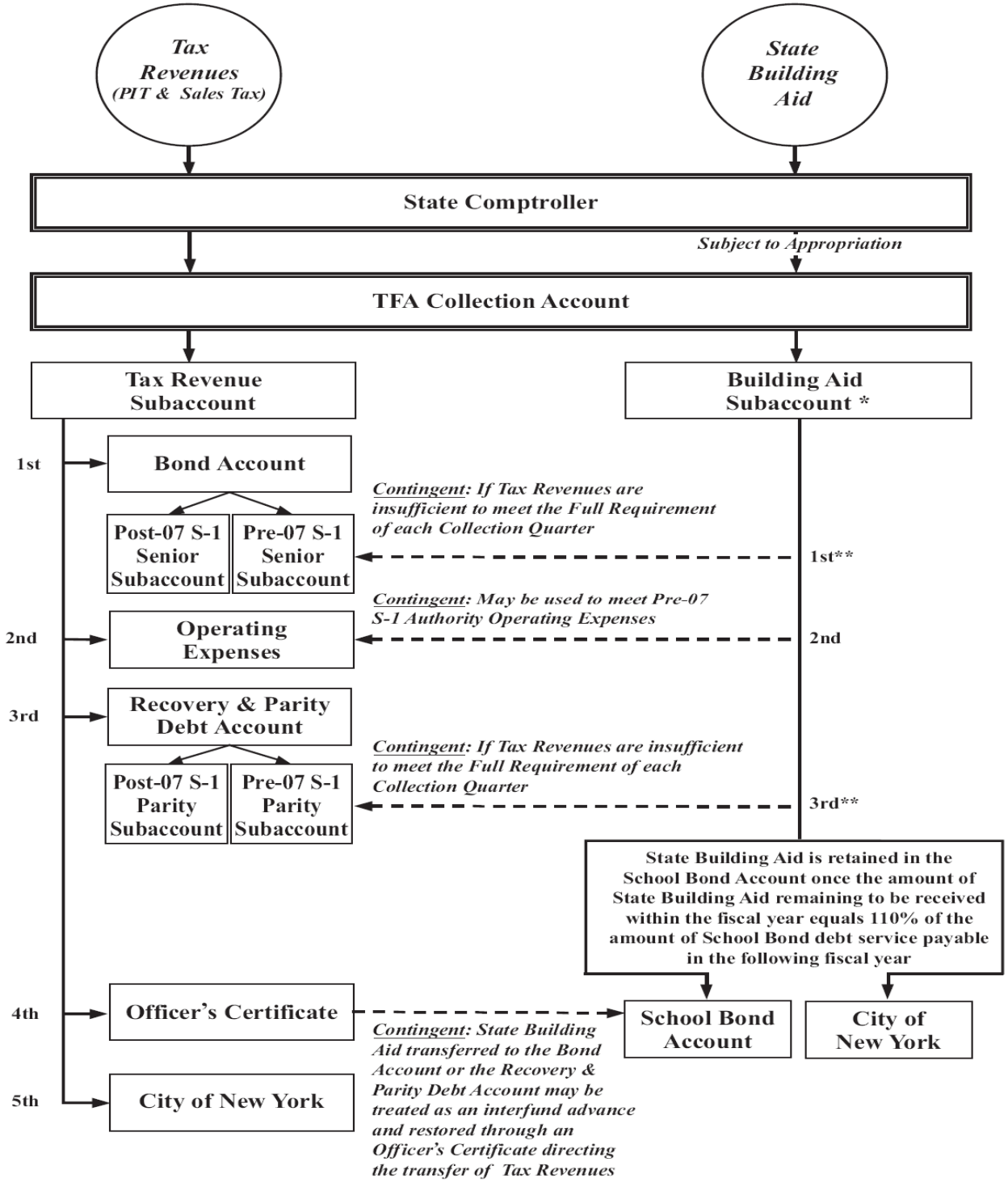
(2) in the first month of each Collection Quarter, beginning the first day when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and continuing until the end of the month, to the Federal Bond Subaccount or, if so directed by 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 therein 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 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 in the Act, 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 payable therefrom but in all events at least equal to the Quarterly Debt Service. Such requests shall be modified, as often as necessary, to reflect experience and revised projections.

Federal Subsidy. The Authority shall take all actions as may be required, under the Tax Code or otherwise, (1) for timely receipt of the Federal Subsidy and (2) fully to preserve, maintain, defend, protect and confirm the interest of the Trustee in the Federal Subsidy. The Authority will not take any action that will adversely affect the Trustee's ability to receive the Federal Subsidy and will promptly pay over to the Trustee any Federal Subsidy received by the Authority.

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 City 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.

City Covenant. The Authority includes in the Indenture the City's pledge and agreement 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 City Covenant 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 not be less than 150% of maximum annual debt service on the Bonds.

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 City 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, to the effect that: "It is hereby determined that the creation of the Authority and the carrying out of its corporate purposes is in all respects for the benefit of the people of the state of New York and is a public purpose. Accordingly, the Authority shall be regarded as performing an essential governmental function in the exercise of the powers conferred upon it by this title, and the Authority shall not be required to pay any fees, taxes, special ad valorem levies or assessments of any kind, including, but not limited to, franchise taxes, sales taxes or other taxes, upon or with respect to any property owned by it or under its jurisdiction, control or supervision, or upon the uses thereof, or upon or with respect to its activities or operations in furtherance of the powers conferred upon it by this title, or upon or with respect to any fares, tolls, rentals, rates, charges, fees, revenues or other income received by the Authority. Any Bonds issued pursuant to this title together with the income therefrom shall at all times be exempt from taxation. The State hereby covenants with the purchasers and with all subsequent holders and transferees of bonds issued by the Authority pursuant to this title, in consideration of the acceptance of and payment for the bonds, that the bonds of the Authority issued pursuant to this title and the

income therefrom and all revenues, monies, and other property pledged to pay or to secure the payment of such bonds shall at all times be free from taxation."

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 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 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 the first series of Bonds and may further acknowledge in any Series Resolution if and the extent to which any provision of the Indenture 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 actually known to an Authorized Officer of 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 therein.

The Trustee shall give notices of default under the City Covenant 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 School Bonds; of if the Event of Default or other event is actually known to an Authorized Officer of the Trustee. The Trustee shall proceed under the remedy provisions of the Indenture for the benefit of the Holders in accordance with the written directions of a Majority in Interest of the Outstanding School Bonds.

Upon receipt of written notice, direction or instruction and indemnity, and after making such investigation, if any, as it deems appropriate to verify the occurrence of any event of which it is notified as aforesaid, the Trustee shall promptly pursue the remedy provided by the Indenture or any such remedies (not contrary to any such direction) as it deems appropriate for the protection of the Holders, and in its actions under this sentence, the Trustee shall act for the protection of the Holders with the same promptness and prudence as would be expected of a prudent person in the conduct of such person's own affairs.

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.

The Authority shall, as an operating expense, indemnify and save each Fiduciary harmless against any expenses and liabilities (including reasonable legal fees and expenses) that it may incur in the exercise of its duties under the Indenture and that are not due to its negligence or bad faith. This paragraph shall survive the discharge of the Indenture or the earlier resignation or removal of such Fiduciary.

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 by law or in the Indenture. 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 or bankruptcy of the Authority.

(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 on the Bonds.

(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; Default*" above, the Trustee shall (a) give written notice thereof to the Authority, the Holders, specified public officials and public bodies so stated in the Indenture, 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 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; *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 provision 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. Upon the exercise of such discretion the Trustee shall fix the date (which shall be the first of a month unless it deems another date more suitable) upon which such application is to be made, and upon such date interest on the principal then provided for shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. When interest or a portion of the principal is to be paid on an overdue Bond or Note, the Trustee may require presentation of the Bond or Note for endorsement of the payment.

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 Authority covenants with the Holders of the Bonds offered hereby to comply with the financing reporting requirements of, and to limit its issuance of bond anticipation notes as required by, the Act as in effect from time to time.

THE AGREEMENT

The Agreement, including the Transitional Capital Plan attached thereto:

(i) describes by reference to the capital budget of the City and the Act the particular Projects and Costs to be financed in whole or in part by the Authority;

(ii) describes the plan for the financing of the Costs or Projects;

(iii) sets forth the method for which and by whom and the terms and conditions upon which money provided by the Authority shall be distributed to the City, which disbursements shall occur, subject to receipt by the Authority of such documentation as to the costs being reimbursed as the Authority shall reasonably require, at least monthly;

(iv) provides for the payment of such Costs by the City under such contracts as shall be awarded by the City or for the City to make a capital contribution of such proceeds as City funds to another entity for the payment or reimbursement of such Costs;

(v) requires every contract entered into by the City, or another entity receiving funds from the City, for Projects or Costs to be financed in whole or in part by the Authority to be subject to the provisions of the City Charter and other applicable laws governing contracts of the City or such entity, as the case may be; and

(vi) authorizes the Authority's assignment and pledge to the Trustee in trust for the benefit and security of the Bondholders and, to the extent specified in the Indenture, of Noteholders and the parties to ancillary and swap contracts of rights of the Authority under the Agreement.

In consideration of the mutual agreements contained in the Agreement and other good and valuable consideration, the Authority and the City agree as set forth in the Agreement for their own benefit and for the benefit of the Bondowners and other Beneficiaries under the Indenture.

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, inter-entity 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 Redemption 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 Authority's financing 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 City 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 City 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 in the Indenture.

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APPENDIX B

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**NEW YORK CITY TRANSITIONAL
FINANCE AUTHORITY**

June 30, 2014 and 2013

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New York City Transitional Finance Authority

(A Component Unit of The City of New York)

Financial Statements as of and for the
Years Ended June 30, 2014 and 2013, and
Independent Auditor's Report

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the New York City Transitional Finance Authority (the "Authority"), a component unit of The City of New York, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2014 and 2013, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

September 30, 2014

The following is a narrative overview and analysis of the financial activities of the New York City Transitional Finance Authority (the "Authority") as of June 30, 2014 and 2013 and for the years then ended. It should be read in conjunction with the Authority's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The annual financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

The government-wide financial statements of the Authority, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of the Authority's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental funds financial statements (general, capital, and debt service funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and liabilities on arbitrage rebate payable, which is recognized when due.

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

Future Tax Secured Bonds

The Authority's authorizing legislation limited the amount of Authority bonds and notes issued for The City of New York's (the "City's") general capital purposes ("Future Tax Secured Bonds" or "FTS Bonds") to $13.5 billion, (excluding Recovery Bonds, discussed below) as of June 30, 2009. On July 11, 2009 authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permits the Authority to have outstanding $13.5 billion of FTS Bonds, (excluding Recovery Bonds). In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. At the end of fiscal year 2014, the City's and the Authority's combined debt-incurring capacity was approximately $21.2 billion. In fiscal years 2014 and 2013, the Authority issued $3.4 billion and $4.9 billion, respectively of FTS Bonds. The Authority had Future Tax Secured Senior Bonds outstanding of $1.7 billion and $2.1 billion and Subordinate bonds (excluding Recovery Bonds) of $22.3 billion and $19.7 billion as of June 30, 2014 and 2013, respectively.

Future Tax Secured Bonds (continued)

The Authority is also authorized to have outstanding $2.5 billion of bonds and notes to pay costs related to or arising from the World Trade Center attack on September 11, 2001 ("Recovery Bonds"). The Authority had Recovery Bonds outstanding as of June 30, 2014 and 2013, of $1.0 billion and $1.2 billion, respectively.

Of the $3.4 billion and $4.9 billion FTS Bonds issued in fiscal years 2014 and 2013, respectively, none were Build America Bonds ("BABs"); however, $90.3 million and $350.0 million, respectively were Qualified School Construction Bonds ("QSCBs"). The BABs and the QSCBs were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Act"). The BABs and QSCBs are taxable bonds for which the Authority receives a cash subsidy payment from the United States Treasury. In fiscal years 2014 and 2013, the Authority earned subsidy payments of $53.5 million and $57.6 million on its BABs and $46.1 million and $38.7 million on its QSCBs. Starting in October 2013, subsidy payments were discounted 7.2% due to the Federal government's budget sequestration. The proceeds of the BABs were used to finance the City's capital expenditures and the QSCBs proceeds were used to finance the City's educational facilities.

The following summarizes the debt service activity for FTS Bonds in fiscal year 2014:

	Outstanding Principal Balance at June 30, 2013	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2014	Total Interest Payments FY 2014
	(in thousands)					
Senior FTS Bonds	$ 2,112,480	$ 188,000	$ (351,160)	$ (242,875)	$ 1,706,445	$ 70,480
Subordinate FTS Bonds:						
Recovery Bonds	1,233,480	-	(259,475)	-	974,005	13,925
Parity Bonds	15,609,670	3,106,140	(434,315)	(132,865)	18,148,630	669,946
Build America Bonds	3,045,645	-	(24,665)	-	3,020,980	165,184
Qualified School Construction Bonds	1,047,060	90,280	-	-	1,137,340	20,532
Total Subordinate FTS Bonds	20,935,855	3,196,420	(718,455)	(132,865)	23,280,955	869,587
Total FTS Bonds Payable	$ 23,048,335	$ 3,384,420	$ (1,069,615)	$ (375,740)	$ 24,987,400	$ 940,067

Future Tax Secured Bonds (continued)

The following summarizes the debt service activity for FTS Bonds in fiscal year 2013:

	Outstanding Principal Balance at June 30, 2012	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2013	Total Interest Payments FY 2013
			(in thousands)			
Senior FTS Bonds	$ 3,580,940	$ -	$ (238,115)	$ (1,230,345)	$ 2,112,480	$ 108,732
Subordinate FTS Bonds:						
Recovery Bonds	1,371,700	190,580	(328,800)	-	1,233,480	6,222
Parity Bonds	12,263,345	4,363,855	(339,825)	(677,705)	15,609,670	537,832
Build America Bonds	3,045,645	-	-	-	3,045,645	165,184
Qualified School Construction Bonds	697,060	350,000	-	-	1,047,060	20,532
Total Subordinate FTS Bonds	17,377,750	4,904,435	(668,625)	(677,705)	20,935,855	729,770
Total FTS Bonds Payable	$ 20,958,690	$ 4,904,435	$ (906,740)	$ (1,908,050)	$ 23,048,335	$ 838,502

Building Aid Revenue Bonds

The Authority is also authorized to have outstanding up to $9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs"), secured by building aid from the State of New York (the "State") that is received by the Authority pursuant to the assignment to the Authority by the City in fiscal year 2007 (the "Assignment"). The City assigned its building aid, which is subject to annual appropriation by the State, to the Authority for the purpose of funding costs of the five-year educational facilities capital plan for the City school system and to pay its administrative expenses. In fiscal year 2014, the Authority did not issue any BARBs and in fiscal year 2013 it issued $850.0 million of BARBs. The Authority had BARBs outstanding of $6.1 billion and $6.2 billion as of June 30, 2014 and 2013, respectively.

Of the $850.0 million BARBs issued in fiscal years 2013, none were BABs or QSCBs. In fiscal years 2014 and 2013, the Authority earned subsidy payments of $6.5 million and $6.7 million on its BABs and $9.1 million and $9.6 million on its QSCBs, respectively.

Building Aid Revenue Bonds (continued)

The following summarizes the debt service activity for BARBs in fiscal year 2014:

	Outstanding Principal Balance at June 30, 2013	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2014	Total Interest Payments FY 2014
			(in thousands)			
Tax-exempt Bonds	$ 5,658,365	$ -	$ (102,695)	$ -	$ 5,555,670	$ 278,620
Build America Bonds	295,750	-	-	-	295,750	20,018
Qualified School Construction Bonds	200,000	-	-	-	200,000	9,800
Total BARBs Payable	$ 6,154,115	$ -	$ (102,695)	$ -	$ 6,051,420	$ 308,438

The following summarizes the debt service activity for BARBs in fiscal year 2013:

	Outstanding Principal Balance at June 30, 2012	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2013	Total Interest Payments FY 2013
			(in thousands)			
Tax-exempt Bonds	$ 4,812,910	$ 850,000	$ (4,545)	$ -	$ 5,658,365	$ 261,607
Build America Bonds	295,750	-	-	-	295,750	20,018
Qualified School Construction Bonds	200,000	-	-	-	200,000	10,217
Total BARBs Payable	$ 5,308,660	$ 850,000	$ (4,545)	$ -	$ 6,154,115	$ 291,842

In accordance with GASB standards, the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority. The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses. Under the criteria established by GASB, the assignment of building aid revenue by the City to the Authority is considered a collateralized borrowing, due to the City's continuing involvement necessary for collection of the building aid. The Authority reports as an asset (Due from New York City — future State building aid) the cumulative amount it has distributed to the City for the educational facilities capital plan, net of the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to the City for its educational facilities capital program are reported as any other financing use of funds. Building aid retained by the Authority is treated as any other financing source as the amount retained is accounted for as a repayment of the amounts loaned to the City.

Building Aid Revenue Bonds (continued)

Below is a table summarizing the total building aid revenues from the State, remittances to the City and the balances retained by the Authority for the fiscal years ended June 30,

	2014	2013	2012
	--------in thousands------		
Building aid received from New York State	$ 1,002,708	$ 965,701	$ 906,746
Building aid remitted to New York City	(478,125)	(621,125)	(698,047)
Total retained for BARBs debt service and operating expenses	$ 524,583	$ 344,576	$ 208,699

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENT-WIDE FINANCIAL STATEMENTS

In fiscal year 2013, the Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63") and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). GASB 63 renamed the Statement of Net Assets to Statement of Net Position, as well as renaming reported Net Assets, and components thereof, to Net Position. GASB 65 resulted in the restatement of the Authority fiscal year 2012 government-wide financial statements to reflect the recognition of bond issuance costs as an expense in the period they were incurred. Prior to GASB 65, bond issuance costs were carried on the Statement of Net Position and amortized over the life of the bonds. Since GASB 65 requires retroactive treatment, any carrying costs and amortization thereof have been excluded pursuant to the requirement and reported as a restatement of beginning net position in fiscal year 2012. GASB 65 also required that the Authority reclassify unamortized deferred bond refunding costs, which were previously reported as a liability, to Deferred Outflow of Resources on the government-wide financial statements (see Note 2 for details on the GASB 65 adjustments and reclassifications).

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

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

	2014	2013	2012	Variance 2014/2013	Variance 2013/2012
		--------in thousands------		--------in thousands------	
Revenues:					
Personal income tax retained	$ 1,641,311	$ 1,006,451	$ 616,864	$ 634,860	$ 389,587
Unrestricted grant from New York City	1,362,194	-	878,884	1,362,194	(878,884)
Federal subsidy	115,146	112,509	96,630	2,637	15,879
Investment earnings	2,044	4,872	2,220	(2,828)	2,652
Total revenues	3,120,695	1,123,832	1,594,598	1,996,863	(470,766)
Expenses:					
Distributions to New York City for general capital program	3,518,579	2,938,240	2,330,776	580,339	607,464
Interest expense	1,164,203	1,088,649	923,328	75,554	165,321
Other	153,836	164,672	142,054	(10,836)	22,618
Total expenses	4,836,618	4,191,561	3,396,158	645,057	795,403
Change in net position	(1,715,923)	(3,067,729)	(1,801,560)	1,351,806	(1,266,169)
Net position (deficit) - beginning of year	(23,583,880)	(20,516,151)	(18,485,107)	(3,067,729)	(2,031,044)
Restatement of beginning net position (deficit)	-	-	(229,484)	-	229,484
Net position (deficit) - end of year	$ (25,299,803)	$ (23,583,880)	$ (20,516,151)	$ (1,715,923)	$ (3,067,729)

In fiscal year 2014, the Authority received an unrestricted grant from the City in the amount of $1.4 billion and will be used to pay the Authority's fiscal year 2015 debt service. The receipt of City grant reduces the amount of PIT needed to be retained by the Authority for its debt service payments on FTS Bonds.

In fiscal years 2014, 2013 and 2012, the Authority earned subsidy payments on its BABs and QSCBs. The increased subsidy revenue in fiscal years 2014 and 2013 was due to the additional issuance of QSCBs.

Investment earnings are primarily based on capital projects fund holdings, debt service fund holdings, interest rates and market value fluctuations during the fiscal year.

The amount of distributions to the City fluctuates each year depending on the issuance of debt and the capital funding needs of the City.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Interest expense increased in each fiscal year due to the increase in outstanding bonds.

Other expenses consist primarily of the Authority's administrative expenses, federal subsidies transferred to the City, and cost of issuance. The decrease in fiscal year 2014 was primarily due to the issuance of less new and refunding bonds resulting in lower cost of issuance.

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

				Variance	
	2014	2013	2012	2014/2013	2013/2012
	--------in thousands------			--------in thousands------	
Assets:					
Total assets	$ 7,878,919	$ 7,522,685	$ 7,628,853	$ 356,234	$ (106,168)
Deferred outflows of resources	69,610	104,955	72,722	(35,345)	32,233
Liabilities:					
Current liabilities	1,669,329	1,371,679	1,692,502	297,650	(320,823)
Non-current liabilities	31,579,003	29,839,841	26,525,224	1,739,162	3,314,617
Total liabilities	33,248,332	31,211,520	28,217,726	2,036,812	2,993,794
Net position:					
Restricted	967,978	1,536,942	1,336,945	(568,964)	199,997
Unrestricted	(26,267,781)	(25,120,822)	(21,853,096)	(1,146,959)	(3,267,726)
Total net position (deficit)	$ (25,299,803)	$ (23,583,880)	$ (20,516,151)	$ (1,715,923)	$ (3,067,729)

Total liabilities increased in fiscal years 2014 and 2013 primarily due to the issuance of new bonds.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

The Authority uses five governmental funds for reporting its activities: (1) a general fund ("GF"), (2) a building aid revenue bonds capital project fund ("BARBs CPF"), (3) a future tax secured bonds capital project fund ("FTS Bonds CPF"), (4) a building aid revenue bonds debt service fund ("BARBs DSF"), and (5) a future tax secured bonds debt service fund ("FTS Bonds DSF").

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

	2014	2013	2012	Variance 2014/2013	Variance 2013/2012
	--------in thousands------			--------in thousands------	
Fund balance, beginning of year	$ (1,770)	$ 20,546	$ 16,423	$ (22,316)	$ 4,123
Revenues	139,868	115,419	117,565	24,449	(2,146)
Expenditures	(136,530)	(138,083)	(113,624)	1,553	(24,459)
Other financing sources (uses), net	322	348	182	(26)	166
Fund balance, end of year	$ 1,890	$ (1,770)	$ 20,546	$ 3,660	$ (22,316)

GF revenues fluctuate each year based on the PIT retained for administrative expenses and federal interest subsidies received. The variance between fiscal year 2014 and 2013 revenue was primarily due to the timing of when PIT was retained for operating expenses. Expenditures decreased in fiscal year 2014 compared to fiscal year 2013 mainly due to the transfer of $0.8 million more in federal subsidies to the City.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)

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

	2014	2013	2012	Variance 2014/2013	Variance 2013/2012
	--------in thousands------			--------in thousands------	
Fund balance, beginning of year	$ -	$ -	$ 143,948	$ -	$ (143,948)
Revenues	-	416	158	(416)	258
Expenditures	-	(4,851)	(3,959)	4,851	(892)
Other financing sources (uses), net	-	4,435	(140,147)	(4,435)	144,582
Fund balance, end of year	$ -	$ -	$ -	$ -	$ -

The Authority's bond proceeds and distributions to the City are reported as other financing sources (uses) in the governmental funds. In fiscal year 2014, the Authority did not issue any BARBs. In fiscal year 2013, all bond proceeds were transferred to the City to finance its educational facilities capital program.

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

	2014	2013	2012	Variance 2014/2013	Variance 2013/2012
	--------in thousands------			--------in thousands------	
Fund balance, beginning of year	$ 1,536,942	$ 1,336,945	$ 601,695	$ 199,997	$ 735,250
Revenues	996	1,577	598	(581)	979
Expenditures	(3,533,784)	(2,950,026)	(2,345,052)	(583,758)	(604,974)
Other financing sources (uses), net	2,963,824	3,148,446	3,079,704	(184,622)	68,742
Fund balance, end of year	$ 967,978	$ 1,536,942	$ 1,336,945	$ (568,964)	$ 199,997

CPF expenditures represent the amount of bond proceeds transferred to the City and other financing sources represent proceeds from bond issuances. Expenditures and other financing sources fluctuate each year depending on the capital funding needs of the City.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)

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

	2014	2013	2012	Variance 2014/2013	Variance 2013/2012
	--------in thousands------			--------in thousands------	
Fund balance, beginning of year	$ 537,893	$ 487,137	$ 585,994	$ 50,756	$ (98,857)
Revenues	862	2,499	1,277	(1,637)	1,222
Expenditures	(411,133)	(296,387)	(308,610)	(114,746)	12,223
Other financing sources (uses), net	524,261	344,644	208,476	179,617	136,168
Fund balance, end of year	$ 651,883	$ 537,893	$ 487,137	$ 113,990	$ 50,756

Expenditures in the BARBs DSF are primarily the debt service payments on outstanding BARBs. The other financing sources uses net, consist primarily of State building aid retained by the Authority in fiscal years 2014, 2013 and 2012, respectively.

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

	2014	2013	2012	Variance 2014/2013	Variance 2013/2012
	--------in thousands------			--------in thousands------	
Fund balance, beginning of year	$ 393,967	$ 884,626	$ 966,871	$ (490,659)	$ (82,245)
Revenues	2,977,058	1,003,858	1,470,650	1,973,200	(466,792)
Expenditures	(2,011,783)	(1,755,193)	(3,158,468)	(256,590)	1,403,275
Other financing sources (uses), net	236,975	260,676	1,605,573	(23,701)	(1,344,897)
Fund balance, end of year	$ 1,596,217	$ 393,967	$ 884,626	$ 1,202,250	$ (490,659)

In fiscal year 2014, revenue primarily consisted of grants from the City and PIT retained. In fiscal year 2013 the FTS Bonds DSF revenue primarily consisted of PIT retained by the Authority. The increase in fiscal year 2014 was mainly due to increase of $1.4 billion grant revenue and by an increase of $611 million of PIT retained in fiscal year 2014.

Expenditures increased in fiscal year 2014 due to a larger amount of principal and interest payments on FTS Bonds. Expenditures decreased in fiscal year 2013 due to a large reoffering of approximately $1.6 billion of FTS Bonds in fiscal year 2012. Other financing sources (uses) consist primarily of the proceeds from new issuance, refunding and reoffering of FTS Bonds.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS — GOVERNMENTAL FUNDS FINANCIAL STATEMENTS (continued)

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Investor Relations, the New York City Transitional Finance Authority, 255 Greenwich Street, New York, NY 10007.

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NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

STATEMENTS OF NET POSITION (DEFICIT)
AS OF JUNE 30, 2014 AND 2013

	2014	2013
	(in thousands)	
ASSETS:		
Unrestricted cash and cash equivalents	$ 4,770	$ 1,175
Restricted cash and cash equivalents	1,027,600	1,803,128
Unrestricted investments	1,362,270	-
Restricted investments	926,705	810,007
Due from New York City - future State building aid	4,240,380	4,764,962
Personal income tax receivable from New York State	286,641	101,690
Federal interest subsidy receivable	30,553	28,642
Other	-	13,081
Total assets	7,878,919	7,522,685
DEFERRED OUTFLOWS OF RESOURCES:		
Unamortized deferred bond refunding costs	69,610	104,955
Total deferred outflows of resources	69,610	104,955
LIABILITIES:		
Personal income tax payable to New York City	286,641	101,690
Distribution payable to New York City capital programs	99,697	156,139
Accrued expenses	3,680	4,220
Accrued interest payable	382,191	358,590
Bonds payable:		
Portion due within one year	897,120	751,040
Portion due after one year	30,141,700	28,451,410
Unamortized bond premium	1,437,303	1,388,431
Total liabilities	33,248,332	31,211,520
NET POSITION (DEFICIT):		
Restricted for capital projects	967,978	1,536,942
Unrestricted (deficit)	(26,267,781)	(25,120,822)
Total net position (deficit)	$ (25,299,803)	$ (23,583,880)

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
	(in thousands)	
REVENUES:		
Personal income tax revenue	$ 9,751,614	$ 8,896,898
Less remittances to New York City	(8,110,303)	(7,890,447)
Personal income tax revenue retained	1,641,311	1,006,451
Unrestricted grant from New York City	1,362,194	-
Federal interest subsidy	115,146	112,509
Investment earnings	2,044	4,872
Total revenues	3,120,695	1,123,832
EXPENSES:		
General and administrative expenses	23,295	25,637
Distribution to New York City for general capital program	3,518,579	2,938,240
Distribution of federal interest subsidy to New York City	113,235	112,446
Cost of debt issuance	17,306	26,589
Interest expense	1,164,203	1,088,649
Total expenses	4,836,618	4,191,561
Change in net position (deficit)	(1,715,923)	(3,067,729)
NET POSITION (DEFICIT) - beginning of year	(23,583,880)	(20,516,151)
NET POSITION (DEFICIT) - end of year	$ (25,299,803)	$ (23,583,880)

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS BALANCE SHEETS
AS OF JUNE 30, 2014

	(in thousands)					
		Capital Projects		Debt Service		
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
ASSETS:						
Unrestricted cash and cash equivalents	$ 4,770	$ -	$ -	$ -	$ -	$ 4,770
Restricted cash and cash equivalents	-	16	803,140	103,558	120,886	1,027,600
Restricted investments	-	-	264,845	548,647	113,213	926,705
Unrestricted investments	-	-	-	-	1,362,270	1,362,270
Personal income tax receivable from New York State	-	-	-	-	286,641	286,641
Other	322	-	-	-	-	322
						-
Total assets	$ 5,092	$ 16	$ 1,067,985	$ 652,205	$ 1,883,010	$ 3,608,308
LIABILITIES:						
Accrued expenses	$ 3,202	$ 16	$ 310	$ 322	$ 152	$ 4,002
Distribution payable to New York City for capital programs	-	-	99,697	-	-	99,697
Personal income tax payable to New York City	-	-	-	-	48,641	48,641
Total liabilities	3,202	16	100,007	322	48,793	152,340
DEFERRED INFLOWS OF RESOURCES:						
Unavailable personal income tax revenue	-	-	-	-	238,000	238,000
Total deferred inflows of resources	-	-	-	-	238,000	238,000
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	-	-	967,978	-	-	967,978
Debt service	-	-	-	651,883	233,947	885,830
Assigned for debt service	-	-	-	-	1,362,270	1,362,270
Unassigned	1,890	-	-	-	-	1,890
Total fund balances	1,890	-	967,978	651,883	1,596,217	3,217,968
Total liabilities, deferred inflows of resources and fund balances	$ 5,092	$ 16	$ 1,067,985	$ 652,205	$ 1,883,010	$ 3,608,308

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS BALANCE SHEETS
AS OF JUNE 30, 2013

	(in thousands)					
		Capital Projects		Debt Service		
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
ASSETS:						
Unrestricted cash and cash equivalents	$ 1,175	$ -	$ -	$ -	$ -	$ 1,175
Restricted cash and cash equivalents	-	57	1,343,959	119,008	340,104	1,803,128
Restricted investments	-	-	349,780	406,152	54,075	810,007
Personal income tax receivable from New York State	-	-	-	-	101,690	101,690
Other	348	-	-	13,081	-	13,429
Total assets	$ 1,523	$ 57	$ 1,693,739	$ 538,241	$ 495,869	$ 2,729,429
LIABILITIES:						
Accrued expenses	$ 3,293	$ 57	$ 658	$ 348	$ 212	$ 4,568
Distribution payable to New York City for capital programs	-	-	156,139	-	-	156,139
Personal income tax payable to New York City	-	-	-	-	54,690	54,690
Total liabilities	3,293	57	156,797	348	54,902	215,397
DEFERRED INFLOWS OF RESOURCES:						
Unavailable personal income tax revenue	-	-	-	-	47,000	47,000
Total deferred inflows of resources	-	-	-	-	47,000	47,000
FUND BALANCES:						
Restricted for:						
Capital distribution to New York City	-	-	1,536,942	-	-	1,536,942
Debt service	-	-	-	537,893	393,967	931,860
Unassigned	(1,770)	-	-	-	-	(1,770)
Total fund balances	(1,770)	-	1,536,942	537,893	393,967	2,467,032
Total liabilities, deferred inflows of resources and fund balances	$ 1,523	$ 57	$ 1,693,739	$ 538,241	$ 495,869	$ 2,729,429

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2014 AND 2013

	2014	2013
	(in thousands)	
Total fund balances - governmental funds	$ 3,217,968	$ 2,467,032
Amounts reported for governmental activities in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(1,437,303)	(1,388,431)
Federal Interest subsidy on BABs and QSCBs is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy applicable to the accrued bond interest is receivable as of fiscal year end. However, in the governmental funds balance sheets where no bond interest is reported as payable until due, no subsidy receivable is reported.	30,553	28,642
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 statements of net position (deficit), they are reported as due from the City.	4,240,380	4,764,962
Some liabilities are not due and payable in the current period from financial resources available currently at year-end and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(31,038,820)	(29,202,450)
Accrued interest payable	(382,191)	(358,590)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statements of net position (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.	69,610	104,955
Net position (deficit) of governmental activities	$ (25,299,803)	$ (23,583,880)

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	(in thousands)					
		Capital Projects		Debt Service		
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
REVENUES:						
Personal income tax revenue	$ 26,629	$ -	$ -	$ -	$ 9,533,985	$ 9,560,614
Less remittances to New York City	-	-	-	-	(7,919,303)	(7,919,303)
Personal income tax revenue retained	26,629	-	-	-	1,614,682	1,641,311
Unrestricted grant from New York City	-	-	-	-	1,362,194	1,362,194
Federal interest subsidy	113,235	-	-	-	-	113,235
Investment earnings	4	-	996	862	182	2,044
Total revenues	139,868	-	996	862	2,977,058	3,118,784
EXPENDITURES:						
Interest expense	-	-	-	308,438	940,067	1,248,505
Costs of debt issuance	-	-	15,205	-	-	15,205
Distributions to New York City for general capital program	-	-	3,518,579	-	-	3,518,579
Distributions of federal interest subsidy to New York City	113,235	-	-	-	-	113,235
Principal amounts of bonds retired	-	-	-	102,695	1,069,615	1,172,310
Refunding bond issuance costs	-	-	-	-	2,101	2,101
General and administrative expenses	23,295	-	-	-	-	23,295
Total expenditures	136,530	-	3,533,784	411,133	2,011,783	6,093,230
Excess (deficiency) of revenues over expenditures	3,338	-	(3,532,788)	(410,271)	965,275	(2,974,446)
OTHER FINANCING SOURCES (USES):						
Principal amount of bonds issued	-	-	2,805,280	-	-	2,805,280
Distributions to New York City for educational facilities capital programs	-	-	-	-	-	-
Refunding bond proceeds	-	-	-	-	579,140	579,140
Bond premium, net of discount	-	-	159,846	-	46,049	205,895
Payments of refunded bonds	-	-	-	-	(389,516)	(389,516)
Transfer from New York City - building aid	-	-	-	524,583	-	524,583
Transfers in (out)	322	-	(1,302)	(322)	1,302	-
Total other financing sources (uses)	322	-	2,963,824	524,261	236,975	3,725,382
Net changes in fund balances	3,660	-	(568,964)	113,990	1,202,250	750,936
FUND BALANCES - beginning of year	(1,770)	-	1,536,942	537,893	393,967	2,467,032
FUND BALANCES - end of year	$ 1,890	$ -	$ 967,978	$ 651,883	$ 1,596,217	$ 3,217,968

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	(in thousands)					
		Capital Projects		Debt Service		
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
REVENUES:						
Personal income tax revenue	$ 2,965	$ -	$ -	$ -	$ 9,201,933	$ 9,204,898
Less remittances to New York City	-	-	-	-	(8,198,447)	(8,198,447)
Personal income tax revenue retained	2,965	-	-	-	1,003,486	1,006,451
Federal interest subsidy	112,446	-	-	-	-	112,446
Investment earnings	8	416	1,577	2,499	372	4,872
Total revenues	115,419	416	1,577	2,499	1,003,858	1,123,769
EXPENDITURES:						
Interest expense	-	-	-	291,842	838,501	1,130,343
Costs of debt issuance	-	4,851	11,786	-	-	16,637
Distributions to New York City for general capital program	-	-	2,938,240	-	-	2,938,240
Distributions of federal interest subsidy to New York City	112,446	-	-	-	-	112,446
Principal amounts of bonds retired	-	-	-	4,545	906,740	911,285
Refunding bond issuance costs	-	-	-	-	9,952	9,952
General and administrative expenses	25,637	-	-	-	-	25,637
Total expenditures	138,083	4,851	2,950,026	296,387	1,755,193	5,144,540
Excess (deficiency) of revenues over expenditures	(22,664)	(4,435)	(2,948,449)	(293,888)	(751,335)	(4,020,771)
OTHER FINANCING SOURCES (USES):						
Principal amount of bonds issued	-	850,000	2,928,000	-	-	3,778,000
Distributions to New York City for educational facilities capital program	-	(957,602)	-	-	-	(957,602)
Refunding bond proceeds	-	-	-	-	1,976,435	1,976,435
Bond premium, net of discount	-	112,453	222,178	-	351,760	686,391
Payments of refunded bonds	-	-	-	-	(2,069,251)	(2,069,251)
Transfer from New York City - building aid	-	-	-	344,576	-	344,576
Transfers in (out)	348	(416)	(1,732)	68	1,732	-
Total other financing sources (uses)	348	4,435	3,148,446	344,644	260,676	3,758,549
Net changes in fund balances	22,316	-	199,997	50,756	(490,659)	(262,222)
FUND BALANCES - beginning of year	20,546	-	1,336,945	487,137	884,626	2,729,254
FUND BALANCES - end of year	$ (1,770)	$ -	$ 1,536,942	$ 537,893	$ 393,967	$ 2,467,032

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
(A Component Unit of The City of New York)

RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
	(in thousands)	
Net change in fund balances - total governmental funds	$ 750,936	$ (262,222)
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds financial statements but bonds issued increase long-term liabilities on the statements of net position (deficit).	(3,384,420)	(5,754,435)
Refunding bond proceeds and payments to refunded bond escrow holder are reported as other financing sources and uses in the governmental funds financial statements, but increase and decrease long-term liabilities in the statements of net position (deficit).	389,516	2,069,251
The governmental funds financial statements 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.	(41,833)	(48,314)
Repayment (including defeasance) of bond principal is an expenditure in the governmental funds financial statements, but the repayment reduces long-term liabilities in the statement of net position (deficit).	1,172,310	911,285
The governmental funds financial statements 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.	(54,697)	(541,487)
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as an other financing use in governmental funds financial statements. However, in the statements of activities, distributions of BARBs proceeds are reported as due from New York City-future State building aid.	-	957,602
Retention of building aid is reported similar to a transfer from the City, as an other financing source in the governmental funds financial statements. 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.	(524,583)	(344,576)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest cost is reported. On the statement of activities, the subsidy revenue in the amount applicable to the accrued bond interest expense is accrued as of fiscal year end. However, in the governmental funds financial statements where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	1,911	63
Interest is reported on the statement of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is due.	(25,063)	(54,896)
Change in net position (deficit) - governmental activities	$ (1,715,923)	$ (3,067,729)

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

The New York City Transitional Finance Authority (the "Authority") is a corporate governmental entity constituting a public benefit corporation and an instrumentality of the State of New York (the "State"). The Authority is governed by a Board of five directors, consisting of the following officials of The City of New York (the "City"): the Director of Management and Budget (who also serves as Chairperson), the Commissioner of Finance, the Commissioner of Design and Construction, the City Comptroller and the Speaker of the City Council. Although legally separate from the City, the Authority is a financing instrumentality of the City and is included in the City's financial statements as a blended component unit, in accordance with the Governmental Accounting Standards Board ("GASB") standards.

The Authority was created by State legislation enacted in 1997 to issue and sell bonds and notes ("Future Tax Secured Bonds" or "FTS Bonds") to fund a portion of the capital program of the City, the purpose of which is to maintain, rebuild and expand the infrastructure of the City and to pay the Authority's administrative expenses.

The Authority is currently authorized to have outstanding $13.5 billion of FTS Bonds. In addition the Authority is authorized 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. The Authority is also allowed to issue up to 20 percent of its total outstanding FTS Bonds as variable rate bonds. As of June 30, 2014, the City's and the Authority's combined debt-incurring capacity was approximately $21.2 billion.

On September 13, 2001, the State Legislature authorized the Authority to have outstanding an additional $2.5 billion of bonds and notes ("Recovery Bonds") to fund the City's costs related to and arising from events on September 11, 2001 at the World Trade Center, notwithstanding the limits discussed above.

State legislation enacted in April 2006 additionally enables the Authority to have outstanding up to $9.4 billion of Building Aid Revenue Bonds ("BARBs"), notes or other obligations for purposes of funding costs of the five-year educational facilities capital plan for the City school system and the Authority's administrative expenses.

The Authority does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which the Authority pays a management fee and overhead based on its allocated share of personnel and overhead costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The government-wide financial statements of the Authority, which include the statements of net position (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standard Board ("GASB") standards. The statements of net position (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority's governmental funds financial statements (general, capital projects and debt service funds) are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are considered available if received within two months after the fiscal year end. Expenditures are recognized when the related liability is incurred, except for principal and interest on bonds payable and liabilities on arbitrage rebate payable, which is recognized when due.

The Authority uses five governmental funds for reporting its activities: (1) a general fund ("GF"), (2) a building aid revenue bonds capital projects fund ("BARBs CPF"), (3) a future tax secured bonds capital projects fund ("FTS Bonds CPF"), (4) a building aid revenue bonds debt service fund ("BARBs DSF"), and (5) a future tax secured bonds debt service fund ("FTS Bonds DSF"). The two capital project funds account for resources to be transferred to the City's capital programs in satisfaction of amounts due to the City and the two debt service funds account for the accumulation of resources for payment of principal and interest on outstanding debts. The general fund accounts for and reports all financial resources not accounted for in the capital and debt service funds, including the Authority's administrative expenses.

B. Fund balances are classified as either: 1) nonspendable, 2) restricted, or 3) unrestricted. Unrestricted fund balance is further classified as: (a) committed, (b) assigned, or (c) unassigned.

Fund balance that cannot be spent because it is not in spendable form is defined as nonspendable. Resources constrained for debt service or redemption in accordance with TFA's Trust Indenture, (the "Indenture") are classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

The Board of Directors of the Authority (the "Board") constitutes the Authority's highest level of decision-making authority and resolutions adopted by the Board that constrain fund balances for a specific purpose are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of the Authority duly authorized under its bond indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment. When both restricted and unrestricted resources are available for use for a specific purpose, it is the Authority's policy to use restricted resources first then

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for us for a specific purpose, it is the Authority's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Resources constrained for debt service or redemption in accordance with the Authority's Indenture is classified as restricted on the statements of net position (deficit) and the governmental funds balance sheets.

C. Bond and bond anticipation note premiums and discounts are capitalized and amortized over the lives of the related debt using the interest method in the government-wide financial statements. The governmental funds financial statements recognize the premiums and discounts, as well as debt issuance costs, during the current period. Subsequent to the implementation of GASB 65 (discussed below) bond issuance costs are recognized in the period incurred both on the government-wide and governmental funds financial statements.

D. Deferred bond refunding costs represent the accounting loss incurred in advance refunding of outstanding bonds and are reported as a deferred outflow of resources on the government-wide financial statements. 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 refunding 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 funds financial statements.

F. The Authority receives the City personal income taxes, imposed pursuant to the State law and collected on behalf of the Authority by the State, to service its future tax secured debt and pay a portion of its administrative expenses. Funds for FTS Bonds debt service are required to be set aside prior to the due date of the principal and interest. Personal income taxes in excess of amounts needed to pay debt service and administrative expenses of the Authority are available to be remitted to the City. During fiscal year 2014 an unrestricted grant was received from the City to be used to pay the Authority's debt service in fiscal year 2015 and is expected to reduce the amount of PIT retained for such purpose 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 administrative expenses. Due to the City's continuing involvement necessary for the collection of the building aid, this assignment is considered a collateralized borrowing between the City and the Authority pursuant to GASB standards. The Authority reports, on its statements of net position (deficit), an asset (Due from New York City — future State building aid) representing the cumulative amount it has distributed to the City for the educational facilities capital plan, net of the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to the City for its educational facilities capital program are reported as an other financing use of funds. Building aid retained by the Authority is treated as an other financing source as the amount retained is accounted for as a

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

repayment of the amounts loaned to the City. During the years ended June 30, 2014 and 2013, the Authority retained $524.6 million and $344.6 million, respectively of State building aid to be used for BARBs debt service and its administrative expenses.

H. To maintain the exemption from Federal income tax of interest on bonds issued by the Authority, the Authority will fund amounts required to be rebated to the Federal government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. The Authority was not required to make an arbitrage rebate payment in fiscal years 2014 and 2013.

The Authority receives a subsidy from the United States Treasury due to the Authority's issuance of taxable Build America Bonds ("BABs") and taxable Qualified School Construction Bonds ("QSCBs") under the American Recovery and Reinvestment Act of 2009. This subsidy is recognized when the related bond interest is reported. On the statements of net position, the amount of the subsidy related to the accrued bond interest is reported as a receivable at year end, while in the governmental funds balance sheets where no bond interest is reported as payable until due, no subsidy receivable is reported.

I. Recent Accounting Pronouncements:

As a component unit of the City, the Authority implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards which may impact the Authority in future years.

- In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). GASB 65 establishes accounting and reporting standards that reclassify certain items that are currently reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items currently being reported as assets and liabilities as outflows and inflow of resources. In addition, it limits the use of the term deferred in the financial statement presentation. In fiscal year 2013, the Authority implemented GASB 65, which required the Authority to retroactively recognize costs of issuance as outflows of resources and restate its fiscal 2012 government-wide financial statements by eliminating any carrying amounts of bond issuance costs and related amortization thereof. As a result, the Authority reduced its fiscal year 2012 beginning balance by $229.5 million as follows:

  1) Eliminating the previously reported fiscal year 2012 carrying value of $117.8 million of unamortized bond issuance costs on its Statements of Net Position by:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (Reducing) reporting $28.4 million of bond issuance costs as a fiscal year 2012 expense, (Adding) elimination $14.9 million previously reported amortization of debt issuance costs, and

- (Adding) reporting the related cost of issuance expense for a fiscal year 2012 refunding of $4.6 million.

2) Decreased the previously reported fiscal year 2012 unamortized deferred bond refunding costs related to cost of issuance by $138 million as follows:

- (Reducing) reporting $17.7 million of amortization of deferred bond refunding costs.

The Authority also reclassified on the government-wide financial statements $105.0 million and $72.7 million deferred bond refunding costs in fiscal years 2013 and 2012 to deferred outflow of resources, respectively, which prior to the implementation of GASB 65 was reported as a liability. Lastly, the unavailable PIT reported of $47 million and $355 million in fiscal years 2013 and 2012, respectively, which prior to the implementation of GASB 65 was reported as a liability on the governmental funds financial statements is now reported as a deferred inflow of resources.

- In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012 an amendment of GASB Statements No. 10 and No. 62* ("GASB 66"). GASB 66 resolves conflicting accounting and reporting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989 FASB and AICPA Pronouncements.* The provisions of GASB 66 are effective for financial statements for periods beginning after December 15, 2012. The adoption of GASB 66 does not have an impact on TFA's financial statements.

- In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans* ("GASB 67"). GASB 67 establishes financial reporting standards for defined benefit pensions and defined contribution pensions that are administered through trusts or equivalent arrangements. The requirements of GASB 67 are effective for fiscal years beginning after June 15, 2013. The adoption of GASB 67 did not have an impact on TFA's financial statements, as it is not applicable pension administered entity.

- In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers. The requirements of GASB 68 are effective for financial statements for periods beginning after June 15, 2014. The adoption of GASB 68 did not have an impact on TFA's financial statements, as it has no employees or pension system.

- In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB 69"). GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. GASB 69 is effective for financial statement periods beginning after December 15, 2013. The adoption

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of GASB 69 did not have an impact on TFA's financial statements, as it has no disposals of operations.

- In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB 70"). GASB 70 establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. GASB 70 is effective for financial statement periods beginning after June 15, 2013. The adoption of GASB 70 did not have an impact on TFA's financial statements, as it has no nonexchange transactions.

- In November 2013, GASB issued Statement No. *71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* ("GASB 71"). GASB 71 eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of GASB 71 are effective for fiscal years beginning after June 15, 2014. The adoption of GASB 71 did not have an impact on TFA's financial statements, as it has no employees or pension system.

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, deferred outflow of resources, liabilities and deferred inflow of resources, 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.

3. CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents as of June 30, 2014 and 2013 are as follows:

	2014	2013
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	$ 3	$ 12
Cash equivalents (see Note 4)	1,027,597	1,803,116
Total restricted cash and cash equivalents	1,027,600	1,803,128
Unrestricted cash and cash equivalents:		
Cash	243	122
Cash equivalents (see Note 4)	4,527	1,053
Total unrestricted cash and cash equivalents	4,770	1,175
Total cash and cash equivalents	$ 1,032,370	$ 1,804,303

As of June 30, 2014 and 2013, the Authority's restricted cash and cash equivalents consisted of bank deposits, money market funds, U.S. Treasuries, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2014 and 2013, the Authority's unrestricted cash and cash equivalents consisted of bank deposits, money market funds and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2014 and 2013, the carrying amounts and bank balances of unrestricted bank deposits were $243 thousand and $122 thousand, respectively, and were insured by the FDIC.

The Authority's investments classified as cash equivalents included U.S. Government Securities and Commercial Paper that has an original maturity date of 90 days 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).

4. INVESTMENTS

Each account of the Authority that is held pursuant to the Indenture between the Authority and its Trustee, as amended and as restated December 1, 2010, (the "Indenture") may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture.

Custodial Credit Risk — Is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments are held in the Trustee's name by the Trustee.

Credit Risk — The Authority's investments are primarily government-sponsored enterprise discount notes and commercial paper. All commercial paper held by the Authority is non-asset backed commercial paper and is rated A1+ by Standard Poor's Rating Services and P1 by Moody's Investor Services.

Interest Rate Risk — Substantially all of the Authority's investments mature in one year or less. Investments with longer term maturities are not expected to be liquidated prior to maturity, thereby limiting exposure from rising interest rates.

Concentration of Credit Risk — Concentration of credit risk is the risk of loss attributed to the magnitude of TFA's investments in a single issuer (5% or more). TFA's investment policy places no limit on the amount TFA may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2014, TFA's investments are in eligible U.S Government sponsored entities and commercial paper. These are 72% and 28% of TFA total investments, respectively.

4. INVESTMENTS (continued)

The authority's investments, including cash equivalents as of June 30, 2014 and 2013, are as follows:

	2014	2013
	(in thousands)	
Restricted investments:		
Money market funds	$ 3,933	$ 53,951
Federal Home Loan Mortgage Corp. discount notes	184	123,847
Federal Home Loan Bank discount notes	452,162	692,774
Farmer Mac discount notes	39,947	-
Federal National Mortgage Assoc. discount notes	418,988	44,715
U.S. treasuries	111,313	204,625
Commercial paper	927,775	1,493,211
Total restricted investments	1,954,302	2,613,123
Less: amounts reported as restricted cash equivalents	(1,027,597)	(1,803,116)
Total restricted investments	$ 926,705	$ 810,007
Unrestricted:		
Money market funds	4,527	1,053
Federal Home Loan Mortgage Corp. discount notes	1,362,270	-
Total unrestricted investments	1,366,797	1,053
Less: amounts reported as unrestricted cash equivalents	(4,527)	(1,053)
Total unrestricted investments	$ 1,362,270	$ -

5. BONDS PAYABLE

Pursuant to the New York City Transitional Finance Authority Act (the "Act"), as amended, the Authority is authorized to have outstanding $13.5 billion of FTS Bonds, excluding Recovery Bonds. In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of June 30, 2014, the City's and the Authority's combined debt-incurring capacity was approximately $21.2 billion. The Authority is also authorized to have outstanding $2.5 billion of Recovery Bonds and notes to pay costs related to or arising from the World Trade Center attack on September 11, 2001.

5. BONDS PAYABLE (continued)

The Indenture permits the Authority to issue Senior and Subordinate FTS Bonds which consists of Recovery Bonds, Build America Bonds, Qualified School Construction Bonds, and other parity debt. As of June 30, 2014 and 2013, the Authority had $1.7 billion and $2.1 billion, respectively, of Senior bonds outstanding. The Authority is authorized to issue Senior FTS Bonds in an amount not to exceed $12 billion in outstanding principal and subject to a $330 million limit on quarterly debt service. Subordinate FTS Bonds outstanding as of June 30, 2014 and 2013, were $23.3 billion and $20.9 billion, respectively. Total FTS Bonds outstanding at June 30, 2014 and 2013, were $25.0 billion and $23.0 billion, respectively.

In fiscal years 2014 and 2013, the changes in FTS Bonds payable were as follows:

	Outstanding Principal Balance at June 30, 2013	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2014	Total Interest Payments FY 2014
	(in thousands)					
Senior FTS Bonds	$ 2,112,480	$ 188,000	$ (351,160)	$ (242,875)	$ 1,706,445	$ 70,480
Subordinate FTS Bonds:						
Recovery Bonds	1,233,480	-	(259,475)	-	974,005	13,925
Parity Bonds	15,609,670	3,106,140	(434,315)	(132,865)	18,148,630	669,946
Build America Bonds	3,045,645	-	(24,665)	-	3,020,980	165,184
Qualified School Construction Bonds	1,047,060	90,280	-	-	1,137,340	20,532
Total Subordinate FTS Bonds	20,935,855	3,196,420	(718,455)	(132,865)	23,280,955	869,587
Total FTS Bonds Payable	$ 23,048,335	$ 3,384,420	$ (1,069,615)	$ (375,740)	$ 24,987,400	$ 940,067

	Outstanding Principal Balance at June 30, 2012	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2013	Total Interest Payments FY 2013
	(in thousands)					
Senior FTS Bonds	$ 3,580,940	$ -	$ (238,115)	$ (1,230,345)	$ 2,112,480	$ 108,732
Subordinate FTS Bonds:						
Recovery Bonds	1,371,700	190,580	(328,800)	-	1,233,480	6,222
Parity Bonds	12,263,345	4,363,855	(339,825)	(677,705)	15,609,670	537,832
Build America Bonds	3,045,645	-	-	-	3,045,645	165,184
Qualified School Construction Bonds	697,060	350,000	-	-	1,047,060	20,532
Total Subordinate FTS Bonds	17,377,750	4,904,435	(668,625)	(677,705)	20,935,855	729,770
Total FTS Bonds Payable	$ 20,958,690	$ 4,904,435	$ (906,740)	$ (1,908,050)	$ 23,048,335	$ 838,502

5. BONDS PAYABLE (continued)

As of June 30, 2014, the interest rates on the Authority's outstanding FTS fixed rate bonds ranged from 1.50% to 5.50% on tax-exempt bonds and .68% to 6.27% on taxable bonds.

The Authority funds its debt service requirements for all FTS Bonds and its administrative expenses 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 ended June 30, 2014 and 2013. The Authority remits any excess personal income tax not required for its debt service payments and its administrative expenses to the City. The Authority has no taxing power.

On June 30, 2014 and 2013, the Authority had $3.6 billion and $3.5 billion, respectively, of FTS variable rate bonds outstanding, consisting of $222.4 million of Auction Rate Securities ("ARSs"), $377.2 million and $269.2 million, respectively, of Index Rate Bonds, and $3.0 billion and $3.0 billion, respectively, of Variable Rate Demand Bonds ("VRDBs"). The interest rate on the ARSs is established weekly by an auction agent at the lowest clearing rate based upon bids received from broker dealers. The interest rate on the ARSs cannot exceed 12%. In fiscal years 2014 and 2013, the interest rate on the ARSs averaged .39% and .39%, respectively, and on the Index Rate Bonds .84% and .99%, respectively. The Authority's Index Rate Bonds pay interest based on a specified index. Such bonds also provide for an increased rate of interest commencing on an identified step up date if such bonds are not converted or refunded. The VRDBs bear a daily rate, a two day rate or a weekly rate and represent the lowest rate of interest that would cause the adjustable rate bonds to have a market value equal to the principal amount. The rates cannot exceed 9% on tax exempt bonds and 12% on taxable bonds. In fiscal years 2014 and 2013, the VRDB rates averaged .17% and .23%, respectively, on tax exempt bonds.

During fiscal year 2014, the Authority issued $350 million of FTS bonds to refund $375.7 million of outstanding FTS bonds. This refunding resulted in an accounting loss of $6.5 million. The Authority in effect reduced its aggregate debt service by $24.2 million and obtained an economic benefit of $22.5 million.

During fiscal year 2013, the Authority issued $1.8 billion of FTS bonds to refund $1.9 billion of outstanding FTS bonds. This refunding resulted in an accounting loss of $80.6 million. The Authority in effect reduced its aggregate debt service by $265.4 million and obtained an economic benefit of $240.0 million.

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2014 and 2013, the Authority had FTS Bonds refunded with defeasance collateral totaling $11.0 billion and $10.6 billion, respectively, of which $0.8 billion and $1.8 billion, respectively, are still to be paid from the defeasance collateral held in the escrow accounts on deposit with the Authority's escrow Trustee.

5. BONDS PAYABLE (continued)

Debt service requirements as of June 30, 2014, for FTS Bonds, including Recovery Bonds, payable to their maturity are as follows:

	SENIOR			SUBORDINATE			Total
	Principal	Interest (a)	Total	Principal	Interest (a)	Total	Debt Service
	(in thousands)						
Year ending June 30,							
2015	$ 126,535	$ 32,567	$ 159,102	$ 638,945	$ 967,403	$ 1,606,348	$ 1,765,450
2016	40,125	28,528	68,653	874,375	946,139	1,820,514	1,889,167
2017	46,755	26,482	73,237	1,004,620	908,168	1,912,788	1,986,025
2018	4,640	25,246	29,886	1,078,715	867,766	1,946,481	1,976,367
2019	52,445	23,856	76,301	1,116,600	826,196	1,942,796	2,019,097
2020 to 2024	379,785	74,775	454,560	5,270,605	3,532,251	8,802,856	9,257,416
2025 to 2029	845,455	26,778	872,233	4,360,775	2,511,723	6,872,498	7,744,731
2030 to 2034	210,705	2,690	213,395	3,865,880	1,573,292	5,439,172	5,652,567
2035 to 2039	-	-	-	3,687,315	687,280	4,374,595	4,374,595
2040 to 2044	-	-	-	1,383,125	69,761	1,452,886	1,452,886
Total	$1,706,445	$ 240,922	$ 1,947,367	$23,280,955	$12,889,979	$36,170,934	$38,118,301

(a) The variable interest rates used in this table were .17% on tax-exempt bonds and .39% on auction bonds.

In addition to the Authority's authorization to issue FTS Bonds, State legislation enacted in April 2006 enables the Authority to have outstanding up to $9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs") for purposes of funding costs of the five-year educational facilities capital plan for the City's school system and certain administrative expenditures. As of June 30, 2014 and 2013, the Authority had $6.1 billion and $6.2 billion, respectively, of BARBs outstanding.

Under this legislation, the BARBs are secured by 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, BARBs' bond holders do not have any right to the personal income tax revenues or sales tax revenues.

On September 10, 2010, the Authority deposited $81.3 million of retained building aid into an escrow account with the Authority's Trustee for the payment of $75.9 million of BARBs which was due in fiscal year 2013.

5. BONDS PAYABLE (continued)

In fiscal years 2014 and 2013, the changes in BARBs payable were as follows:

	Outstanding Principal Balance at June 30, 2013	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2014	Total Interest Payments FY 2014
			(in thousands)			
Tax-exempt Bonds	$ 5,658,365	$ -	$ (102,695)	$ -	$ 5,555,670	$ 278,620
Build America Bonds	295,750	-	-	-	295,750	20,018
Qualified School Construction Bonds	200,000	-	-	-	200,000	9,800
Total BARBs Payable	$ 6,154,115	$ -	$ (102,695)	$ -	$ 6,051,420	$ 308,438

	Outstanding Principal Balance at June 30, 2012	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2013	Total Interest Payments FY 2013
			(in thousands)			
Tax-exempt Bonds	$ 4,812,910	$ 850,000	$ (4,545)	$ -	$ 5,658,365	$ 261,607
Build America Bonds	295,750	-	-	-	295,750	20,018
Qualified School Construction Bonds	200,000	-	-	-	200,000	10,217
Total BARBs Payable	$ 5,308,660	$ 850,000	$ (4,545)	$ -	$ 6,154,115	$ 291,842

As of June 30, 2014 the interest rates on the Authority's outstanding BARBs fixed rate bonds ranged from 2.00% to 6.00% on tax-exempt bonds and 4.80% to 7.13% on taxable bonds.

5. BONDS PAYABLE (continued)

Debt service requirements at June 30, 2014 for BARBs payable to maturity are as follows:

	Principal	Interest	Total
	(in thousands)		
Year ending June 30,			
2015	$ 131,640	$ 303,982	$ 435,622
2016	137,985	298,747	436,732
2017	146,710	292,835	439,545
2018	156,225	286,113	442,338
2019	163,115	279,011	442,126
2020 to 2024	923,005	1,275,226	2,198,231
2025 to 2029	1,185,675	1,012,913	2,198,588
2030 to 2034	1,506,450	668,731	2,175,181
2035 to 2039	1,546,990	242,549	1,789,539
2040 to 2043	153,625	9,601	163,226
Total	$ 6,051,420	$ 4,669,708	$ 10,721,128

As of June 30, 2014 and 2013, the Authority maintained its required debt service accounts as follows:

	June 30, 2014		June 30, 2013	
	(in thousands)			
	Principal	Interest	Principal	Interest
Required for FTS	$ 43,735	$ 190,735	$ 24,470	$ 173,894
Required for BARBs	131,640	303,982	108,675	308,438
Total	$ 175,375	$ 494,717	$ 133,145	$ 482,332

The Authority held $1.4 billion and $195.8 million in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2014 and 2013, respectively. The Authority held $205.2 million and $103.3 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2014 and 2013, respectively.

6. UNRESTRICTED GRANT FROM THE CITY OF NEW YORK

In fiscal year 2014, the Authority received an unrestricted grant from the City in the amount of $1.4 billion. These funds will be used to fund debt service requirements for FTS Bonds during the fiscal year ending June 30, 2015 and is expected to reduce the amount of future PIT retained for such purpose. In fiscal year 2013, no grant was received from the City. The City grant is reported as assigned for debt service in the governmental funds balance sheets.

7. ADMINISTRATIVE COSTS

The Authority's management fee, overhead and expenditures related to carrying out the Authority's duties, including remarketing and liquidity fees not funded from bond proceeds or investment earnings, are funded from the personal income taxes, building aid revenue and grant revenue.

8. SUBSEQUENT EVENTS

On August 1, 2014, the Authority issued $1.0 billion, Fiscal 2015 Series A FTS Bonds, comprised of Subseries A-1, $675 million of tax-exempt bonds; Subseries A-2, $125 million of taxable bonds; Subseries A-3 to A-4, $200 million of tax-exempt variable rate bonds. The proceeds of the Fiscal 2015 Series A FTS Bonds will be used for the City's capital programs.

* * * * * *

APPENDIX C

VARIABLE RATE BONDS

Variable Rate Demand Bonds

Series	Outstanding Principal Amount	Provider	Facility Type	Expiration or Optional Termination by Provider
1998C	$ 100,000,000	Morgan Stanley Bank, N.A.	LOC[1]	August 2, 2017
1999A-1	75,400,000	TD Bank, N.A.	SBPA[2]	December 17, 2015
1999A-1	23,500,000	JPMorgan Chase Bank, N.A.	SBPA	November 24, 2017
1999A-2	25,100,000	JPMorgan Chase Bank, N.A.	SBPA	November 24, 2017
1999B-3	50,000,000	JPMorgan Chase Bank, N.A.	SBPA	October 29, 2017
2001A	100,000,000	JPMorgan Chase Bank, N.A.	SBPA	October 29, 2017
2001C	74,400,000	PNC Bank, National Association	SBPA	April 7, 2017
2003-1A	62,700,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 15, 2015
2003-1C	46,400,000	JPMorgan Chase Bank, N.A.	SBPA	July 11, 2015
2003-1D	37,300,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 15, 2015
2003-1E	25,000,000	BayernLB	SBPA	November 30, 2015
2003-2A	57,300,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-2B	34,500,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-2E	33,800,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-2F	21,400,000	BayernLB	SBPA	November 30, 2015
2003-3C	57,100,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-3D	65,000,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-3E	78,600,000	Landesbank Baden-Württemberg	SBPA	July 14, 2015
2003-3F	43,500,000	Royal Bank of Canada	SBPA	July 14, 2015
2003-3G	66,700,000	The Bank of New York Mellon	SBPA	August 1, 2015
2003-3H	55,400,000	Royal Bank of Canada	SBPA	July 14, 2015
2003A-2	175,000,000	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	LOC	October 30, 2017
2003A-3	25,000,000	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	LOC	October 30, 2017
2003A-4	100,000,000	TD Bank, N.A.	SBPA	October 15, 2019
2003C-2	37,500,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 15, 2015
2003C-3	37,500,000	Dexia Crédit Local	SBPA	November 1, 2022
2003C-4	37,500,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 15, 2015
2003C-5	37,500,000	Bank of America, N.A.	SBPA	November 30, 2014
2007A-3	100,000,000	Dexia Crédit Local	SBPA	October 16, 2018
2010F-5	148,500,000	Sumitomo Mitsui Banking Corporation	LOC	March 1, 2016
2010G-5	150,000,000	Barclays Bank PLC	SBPA	June 3, 2016
2013A-4	50,000,000	The Northern Trust Company	SBPA	August 28, 2015
2013A-5	50,000,000	U.S. Bank National Association	SBPA	August 28, 2015
2013A-6	100,000,000	California State Teachers' Retirement System	SBPA	August 28, 2015
2013A-7	150,000,000	State Street Bank and Trust Company	SBPA	August 28, 2015
2013C-4	100,000,000	JPMorgan Chase Bank, N.A.	SBPA	November 30, 2015
2013C-5	148,000,000	Sumitomo Mitsui Banking Corporation	LOC	December 4, 2015
2014A-4	125,000,000	Wells Fargo Bank, N.A.	SBPA	November 13, 2016
2014B-3	75,000,000	Barclays Bank PLC	SBPA	February 4, 2016
2014D-3	100,000,000	Mizuho Bank, Ltd.	SBPA	April 28, 2017
2014D-4	100,000,000	Mizuho Bank, Ltd.	SBPA	April 28, 2017
2015A-3	100,000,000	Mizuho Bank, Ltd.	SBPA	August 1, 2017
2015A-4	100,000,000	Mizuho Bank, Ltd.	SBPA	August 1, 2017
	$3,179,600,000			

See footnotes on page C-2.

Index Rate Bonds[3]

Series	Outstanding Principal Amount	Step up Date
1999A-2	$113,600,000	November 13, 2018
2003-1B	63,600,000	May 1, 2015
2010G-6	100,000,000	June 1, 2019
2011A-4	100,000,000	August 1, 2019
	$377,200,000	

Auction Rate Bonds

Series	Outstanding Principal Amount
2007C-2	$111,200,000
2007C-3	111,200,000
	$222,400,000

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(1) Letter of Credit.

(2) Standby Bond Purchase Agreement.

(3) The Authority's index rate bonds pay interest based on a specified index. Such bonds also provide for an increased rate of interest commencing on an identified step up date if such bonds are not converted or refunded.

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

November , 2014

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 2015 Series B (the "New Bonds"). The New Bonds are being issued pursuant to Chapter 16, Laws of New York, 1997, as amended (the "Act"), to the Amended and Restated Original Indenture, as restated December 1, 2010, and as supplemented (the "Indenture"), between the Authority and The Bank of New York Mellon, as Trustee, and to a Financing Agreement dated October 1, 1997, as amended (the "Agreement"), between the Authority and The City of New York (the "City"). Terms not defined herein are used as defined in the Indenture. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

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

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

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

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

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

3. The Act validly provides for (a) the payment to the Authority (i) of the taxes so payable pursuant to § 1313 of the Tax Law (the "Personal Income Taxes"), and (ii) to the extent specified in the Act, of sales and compensating use taxes that the City is authorized by the State to impose and taxes imposed by the State pursuant to § 1107 of the Tax Law (the "Alternative Revenues," and to the extent so payable, with the Personal Income Taxes and such other revenues, if any, as the Authority may derive directly from the State from taxes imposed by the City or the State and collected by the State, the "Tax Revenues"), (b) the Authority's pledge to the Trustee of the Tax

Revenues and all aid, rents, fees, charges, payments and other income and receipts paid or payable to the Authority or the Trustee (the "Revenues"), and (c) the application of proceeds of the Bonds to purposes of the City.

4. The Personal Income Taxes are subject neither to appropriation by the City or the State, nor to prior claims in favor of other obligations or purposes of the City or the State except as specified in §1313 of the Tax Law with respect to overpayments and the State's reasonable costs in administering, collecting and distributing such taxes. Alternative Revenues consisting of sales and compensating use taxes imposed by the 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.

The rights of the holders of the New 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 Authority has received the opinion of Fulbright & Jaworski LLP regarding certain federal, state and local tax consequences of ownership of or receipt or accrual of interest on the New Bonds and we express no opinion as to such matters. We have not been engaged to investigate, examine, review or opine as to any matter relating to the federal, state or local tax consequences with respect to the New Bonds (including the receipt of interest thereon) or the ownership or disposition thereof.

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 update this opinion in light of such actions or events.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL FOR TAX MATTERS

November , 2014

New York City Transitional Finance Authority

We have acted as bond counsel for tax matters 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 2015 Subseries B-1 (the "Subseries B-1 Bonds") and Fiscal 2015 Subseries B-2 (the "Subseries B-2 Bonds" and, together with the Subseries B-1 Bonds, the "Fixed Rate Bonds"). The Fixed Rate Bonds are being issued pursuant to Chapter 16, Laws of New York, 1997, as amended (the "Act"), to the Amended and Restated Original Indenture, as restated December 1, 2010, and as supplemented (the "Indenture"), between the Authority and The Bank of New York Mellon, as Trustee, and to a Financing Agreement dated October 1, 1997, as amended (the "Agreement"), between the Authority and The City of New York (the "City"). We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

We have examined, and in expressing the opinions hereinafter described we rely upon, certificates of the Authority and the City and such other agreements, documents and matters as we deem necessary to render our opinions. We have not undertaken an independent audit or investigation of the matters described or contained in the foregoing certificates, agreements and documents. We have assumed, without undertaking to verify, the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as certified copies, the genuineness of all signatures, and the accuracy of the statements contained in such documents.

In rendering the opinions below, we are relying on the opinion of Sidley Austin LLP of even date herewith to the effect that the Fixed Rate Bonds have been duly authorized, executed and issued in accordance with the Constitution of the State and the Act and constitute valid and legally binding obligations of the Authority.

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

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

2. The Authority and the City have covenanted, in Tax Certificates dated the date hereof, to comply with certain provisions of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), relating to the exclusion from gross income of the interest on the Subseries B-1 Bonds for purposes of federal income taxation. Assuming compliance by the Authority and the City with such covenants, interest on the Subseries B-1 Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes.

3. Interest on the Subseries B-1 Bonds is not an item of tax preference for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Subseries B-1 Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

We express no opinion with respect to any other federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Fixed Rate Bonds. Furthermore, we express no opinion as to the effect on the exclusion from gross income of interest on the Subseries B-1 Bonds of any action (including without limitation a change in the interest rate mode with respect to the Subseries B-1 Bonds) taken or not taken after the date of this opinion without our approval. Ownership of tax-exempt obligations such as the Subseries B-1 Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance

companies, certain foreign corporations doing business in the United States, "S" corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above. Finally, we express no opinion herein as to the accuracy, completeness or sufficiency of, or any other matter related to, the Offering Circular dated November , 2014, relating to the Fixed Rate Bonds or any other offering material relating to the Fixed Rate Bonds.

Very truly yours

APPENDIX F

FORM OF NOTICE OF SALE FOR SUBSERIES B-2 BONDS

Notice of Sale

$150,000,000*
New York City Transitional Finance Authority
Future Tax Secured Taxable Subordinate Bonds
Fiscal 2015 Subseries B-2

Electronic bids for the purchase of $150,000,000* Future Tax Secured Taxable Subordinate Bonds, Fiscal 2015 Subseries B-2 (the "Bonds"), of the New York City Transitional Finance Authority (the "Authority"), will be received by the Authority until the following time:

Bid Time: 10:45 a.m. (New York City time) as determined by the Approved Provider
November 5, 2014
(or as specified by supplemental notice)

Notice of a change in such time or date, or in other matters relating to the Bonds, may be given not later than one hour prior to the specified bid time.

Electronic Bidding

Each prospective electronic bidder shall be solely responsible to register to bid via Dalcomp/Parity (the "Approved Provider"). Each such electronic bidder shall be solely responsible to make necessary arrangements for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. The Authority has no duty or obligation to undertake such registration to bid for any prospective electronic bidder or to provide or assure such access, and shall not be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, the Approved Provider. The Approved Provider is the agent of the prospective electronic bidders, and not of the Authority, to facilitate the electronic bidding for the Bonds. The Authority is not bound by any advice or determination of the Approved Provider to the effect that any particular bid complies with the terms of this Notice of Sale. The Authority reserves the right to verify any calculation made by or information provided by the Approved Provider. All costs and expenses incurred by prospective electronic bidders in connection with their registration and submission of bids via the Approved Provider are the sole responsibility of the bidders, and the Authority is not responsible, directly or indirectly, for any of such costs or expenses. If any provisions in this Notice of Sale conflict with information provided by the Approved Provider, this Notice of Sale shall control. Further information about the Approved Provider, including any fee charged and registration requirements, may be obtained from:

Dalcomp/Parity
1359 Broadway, 2nd Floor
New York, NY 10018
(212) 849-5021

EACH BIDDER OR REPRESENTATIVE OF A BIDDING GROUP MUST PREQUALIFY BY SUBMITTING TO PUBLIC FINANCIAL MANAGEMENT, INC. THE ATTACHED STATEMENT OF FINANCIAL RESPONSIBILITY BY 1:00 P.M., NOVEMBER 4, 2014, OR THE BUSINESS DAY PRECEDING THE DATE FOR RECEIPT OF BIDS.

* Preliminary, subject to change.

Registered Bonds; Interest

The Bonds will bear interest from their dated date, which is expected to be November 13, 2014, and will be issued only as fully-registered bonds in book-entry form. Interest on the Bonds will be calculated on a 30/360-day basis and will be payable semiannually on February 1 and August 1, commencing February 1, 2015.

Amortization Requirements

Principal of the Bonds will be amortized (subject to adjustment as described herein) through annual installments on the following dates and in the following amounts:

August 1*	Preliminary Amortization Requirements*
2018	$ 3,500,000
2019	11,000,000
2020	12,000,000
2021	17,500,000
2022	18,000,000
2023	21,000,000
2024	21,000,000
2025	22,000,000
2026	24,000,000

Adjustments to Amortization Requirements

The preliminary annual amortization requirements as set forth in this Notice of Sale (the "Preliminary Amortization Requirements") may be revised before the receipt of bids for the purchase of the Bonds. Any such revision (the "Revised Amortization Requirements") WILL BE ANNOUNCED ON THOMSON MUNICIPAL NEWS NOT LATER THAN ONE HOUR PRIOR TO THE SPECIFIED BID TIME. In the event that no such revision is made, the Preliminary Amortization Requirements will constitute the Revised Amortization Requirements. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMORTIZATION REQUIREMENTS.

After selecting the winning bid, the Authority will determine each final annual amortization requirement (the "Final Amortization Requirements"). In determining the Final Amortization Requirements, the Authority will not increase or decrease any annual Revised Amortization Requirements by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ANY BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS DEFINED HEREIN) AS A RESULT OF ANY INCREASE OR DECREASE IN THE REVISED AMORTIZATION REQUIREMENTS WITHIN THE LIMITS PROVIDED FOR IN THE PRECEDING SENTENCE. The price bid by the successful bidder (the "Bid Price") will be adjusted to reflect any adjustments in the amortization requirements of the Bonds. Such adjusted Bid Price will reflect changes in the dollar amount of the underwriting discount, original issue discount/premium and any applicable insurance premium, but will not change the selling compensation (including any applicable bond insurance premium) per $1,000 of par amount of bonds from the selling compensation that would have been received based on the Bid Price in the winning bid and the Initial Reoffering Prices. The interest rate for each maturity will not change. The Final Amortization Requirements and the adjusted Bid Price for the Bonds will be communicated to the successful bidder by 10:00 a.m. (New York City time) on the day following the sale.

Optional Redemption

The Bonds maturing after August 1, 2024 are subject to optional redemption prior to maturity on 30 days' notice, at the option of the Authority, in whole or in part, on any date on or after August 1, 2024 at a price of 100% of their principal amount plus accrued interest to the redemption date. In the event that such Bonds are defeased to

* Preliminary, subject to change.

their maturity in the future, the Authority expects that such Bonds will remain subject to optional redemption by the Authority.

Make-Whole Optional Redemption

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

(1) the price set forth on the inside cover page of the Offering Circular (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 (defined below) plus 25* 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.

Book-Entry Only

The Bonds will be delivered as registered bonds. Initially, one bond certificate for each maturity will be issued to The Depository Trust Company or its nominee, as described in the Preliminary Offering Circular, dated October 27, 2014 (the "Preliminary Offering Circular").

Purpose; Security

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

The Bonds will be Subordinate Bonds of the Authority, as more fully described, with other terms of the Bonds, in the Preliminary Offering Circular.

Components of the Purchase Contract

This Notice of Sale as it may be modified as communicated through Thomson Municipal News, the electronic bid and the Statement of Financial Responsibility shall constitute the contract for the purchase of the Bonds.

* Preliminary, subject to change.

Level Debt

Before and after receipt of bids, the Authority may adjust the annual principal installments to fit the statutory requirement of substantially level or declining debt service. See "—Adjustments to Amortization Requirements" above.

Bid Specifications

Bidders are invited to name the rate of interest that the Bonds of each maturity are to bear, in multiples of 1/8, 1/20 or 1/100 of one percent. Each bidder must specify in its bid a single rate for each maturity date. No bid for the Bonds may be less than 99.5% of the principal amount of such Bonds. Within two hours after receiving the award, each winning bidder may designate any combination of annual principal installments of the same interest rate into term bonds with mandatory sinking fund redemption in accordance with DTC procedures, on a pro rata basis, as described in the Preliminary Offering Circular.

All bids must be unconditional for all the Bonds.

Pre-Qualifications

Each bidder or representative of a bidding group must prequalify by submitting to Public Financial Management, Inc. ("PFM") the attached Statement of Financial Responsibility by 1:00 p.m., November 4, 2014, or the business day preceding the date for receipt of bids.

Bond Insurance; CUSIP Numbers

The purchase of any bond insurance policy or the issuance of any such commitment therefor shall be at the sole option and expense of such bidder. Any failure of the Bonds, or a portion thereof, to be so insured or of any such policy of insurance to be issued shall not constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms hereof.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms hereof. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Authority, and the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the successful bidder.

Award

Award of the Bonds to the successful bidder, or rejection of all bids, is expected to be made within three hours after receipt of the bids; bidders may not withdraw their bids until after 5:00 p.m. (New York City time) on the day of such bid-opening and then only if the Bonds have not been awarded to such bidder.

Basis of Award

Unless all bids are rejected, the Bonds will be awarded to the bidder whose bid results in the lowest true interest cost on the Bonds, based on the Revised Amortization Requirements described above. The true interest cost (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semi-annually, which when applied against each semi-annual debt service payment (interest, or principal and interest, as due, including any mandatory redemption) for the Bonds, will make the sum of such discounted semi-annual payments equal to the Bid Price. The true interest cost shall be calculated from the dated date of the Bonds. In case of a tie, the Authority may select the successful bidder. The Authority reserves the right to waive irregularities in any bid and to reject any or all bids.

Undertakings of the Successful Bidder

Unless prior arrangements are made with PFM at least 48 hours in advance, the successful bidder shall make a bona fide public offering of the Bonds awarded to it to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers who are not purchasing for their own account as ultimate purchasers without a view to resell). Within 30 minutes after being notified of the award of the Bonds, the successful bidder shall advise the Authority in writing (via facsimile transmission) of the initial public offering price of the Bonds awarded to it (the "Initial Reoffering Price"). The successful bidder must, by facsimile transmission or delivery received by the Authority within two hours after notification of the Final Amortization Requirements, furnish the following information to the Authority to complete the Offering Circular in final form (the "Offering Circular") and to adjust the amortization requirements:

A. Selling compensation (aggregate total anticipated compensation to such successful bidder expressed in dollars, based on the expectation that all Bonds awarded to it are sold at the prices or yields at which the successful bidder advised the Authority that such Bonds were initially offered to the public).

B. Details of any bond insurance.

C. CUSIP numbers.

D. Any other information that the Authority determines is necessary to complete the Offering Circular.

The Authority will provide electronic copies of the Offering Circular and, if requested by investors, hard copies of the Offering Circular to the successful bidder within seven business days of the award of the Bonds. Such Offering Circular will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request. The successful bidder will be responsible to the Authority and its officials in all respects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering. No claim whatsoever shall be made by any bidder against any officer, agent or employee of the Authority for or on account of anything done or omitted in connection with this Notice of Sale or the award or delivery of the Bonds.

At the time of or prior to the delivery of the Bonds, the successful bidder shall file the Offering Circular with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board using CUSIP numbers confirmed with the Authority.

At the time of or prior to delivery of the Bonds, the successful bidder will be required to terminate its underwriting period (as defined in Rule 15c2-12 (the "Rule") under the Securities Exchange Act of 1934, as amended). In the event that the successful bidder advises the Authority that its underwriting period has not been terminated at the time of delivery of the Bonds, such successful bidder shall terminate its underwriting period not later than five days after the date of delivery of the Bonds, unless the Authority shall agree to a longer period. The Authority will consider seriously any good faith request by the successful bidder for a longer underwriting period.

No Good Faith Deposit

There will be no good faith deposit.

Delivery of Bonds

The Bonds will be delivered and shall be paid for on or about November 13, 2014[*], at the Office of the Corporation Counsel of The City of New York, or on such other date as the Authority shall fix on not less than three business days' notice to the successful bidder, or at such other place and time as may be agreed upon with such

[*] Preliminary, subject to change.

successful bidder. The Bid Price in accordance with the successful bid shall be paid to or upon the direction of the Authority by wires in immediately available funds.

The successful bidder's obligations hereunder to accept and pay for the Bonds shall be conditioned on the delivery to the successful bidder, without cost, at the time of delivery of the Bonds, of the following documents, among others: (a) the approving legal opinion of Sidley Austin LLP substantially in the form attached to the Preliminary Offering Circular, and a supplemental opinion; (b) the tax opinion of Fulbright & Jaworski LLP substantially in the form attached to the Preliminary Offering Circular, and a supplemental opinion; (c) the Offering Circular, which shall be substantially in the form of the Preliminary Offering Circular, with such changes as the Authority deems necessary or appropriate; (d) a certificate of the Authority to the effect that, to the best of the signers' knowledge and belief, the Offering Circular (excluding from the Offering Circular specified portions thereof, including any information provided by the successful bidder) as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (e) an opinion of the Corporation Counsel of the City; (f) opinions of Hawkins Delafield & Wood LLP and Gonzalez Saggio & Harlan LLP, co-counsel to the successful bidder; and (g) a certificate as to delivery of and payment for the Bonds. A transcript of the closing proceedings will be furnished upon the request of the successful bidder.

Continuing Disclosure

The Authority will undertake (the "Undertaking") to provide annual information and, if material, notices of the occurrence of certain events. A description of the Undertaking is set forth in the Preliminary Offering Circular and (with such changes, if any, as may be proposed by the Authority and accepted by counsel to the successful bidder, which acceptance shall not be unreasonably withheld) will be set forth in the Offering Circular.

Supplemental Notice and Additional Information

Information regarding any change in the annual amortization requirements for the Bonds being offered and any change in the scheduling of the receipt and opening of bids for the Bonds, or any other information in connection with the offer and sale of the Bonds, will be given to prospective bidders by Thomson Municipal News, and any such supplemental information shall be deemed a part of this Notice of Sale.

Further information relating to the Authority and the Bonds is contained in the Preliminary Offering Circular, which is "deemed final" by the Authority at its date for purposes of the Rule. Electronic copies of the Preliminary Offering Circular, which include the Notice of Sale and the form of Statement of Financial Responsibility, can be obtained at www.iprospectusdirect.com/nyc.

Offerings and Sales in Non-U.S. Jurisdictions

In connection with offers and sales of the Bonds, no action has been taken by the Authority that would permit a public offering of the Bonds, or possession or distribution of any information relating to the pricing of the Bonds, the Offering Circular or any other offering or publicity material relating to the Bonds, in any non-U.S. jurisdiction where action for that purpose is required. Accordingly, the successful bidder 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 Bonds or possesses or distributes the Offering Circular or any other offering or publicity material relating to the Bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the 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 will have no responsibility therefor. No offer or sale of the Bonds shall be made outside of the United States unless prior arrangements are made with PFM.

In connection with any such offering or sale in non-U.S. jurisdictions, the successful bidder will be required to deliver a certificate to the effect that any Bonds offered or sold outside of the United States of America will be offered and sold in compliance with the applicable laws, rules and regulations of the jurisdiction in which they are offered and sold.

DEAN A. FULEIHAN
Chairperson
New York City Transitional Finance Authority

Dated: October 27, 2014

STATEMENT OF FINANCIAL RESPONSIBILITY

New York City Transitional Finance Authority
c/o Public Financial Management, Inc.
40 Wall Street, 49th Floor
New York, New York 10005

Attn: Daniel Beniak

In contemplation of submitting a bid for the Future Tax Secured Taxable Subordinate Bonds, Fiscal 2015 Subseries B-2 of the New York City Transitional Finance Authority, we represent and warrant to and agree with the Authority that:

1. We are (a) registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as a dealer or municipal securities dealer, (b) either a bank, or a separately identifiable department or division of a bank, or a member in good standing of the Financial Industry Regulatory Authority, and (c) not in violation of and able to enter into the commitments contained in the Notice of Sale and the Official Bid Form without violating, (i) Section 15(c)(3) of the Exchange Act, (ii) any rule relating to financial responsibility imposed by any national securities exchange of which we are a member, or (iii) any restriction imposed by any such exchange or by any governmental authority; and we have excess net capital of at least $15 million.

2. The Authority may regard the electronic transmission of our bid through an Approved Provider (including information about the purchase price for the Bonds and any other information included in such transmission) as though the same information were submitted on the Official Bid Form provided by the Authority and executed on our behalf by a duly authorized signatory. If our bid is accepted, the terms of this letter, the Official Bid Form, the Notice of Sale and the information that is electronically transmitted through the Approved Provider shall form a contract, and we shall be bound by the terms of such contract.

3. We acknowledge that the Approved Provider may establish its own rules of participation, which may include but are not limited to registration with such Approved Provider. In the event of any conflict between the rules of participation established by the Approved Provider (regardless of what the rules are called or how they are established) and the terms set forth in the Official Bid Form and the Notice of Sale, the terms set forth in the Official Bid Form and the Notice of Sale shall control.

4. The Approved Provider is our agent and not an agent of the Authority, and the Authority shall have no liability whatsoever based on our use of the Approved Provider, including but not limited to any failure by the Approved Provider to transmit information that we provide correctly and in a timely manner.

5. Terms defined in the Notice of Sale dated October 27, 2014 are used herein as so defined.

You may rely upon this letter, which has been executed on our behalf by an authorized signatory as of the date set forth below.

Respectfully submitted,

Dated: November __, 2014

_____
(Authorized Signature)

_____
(Title)

_____
(Firm)

_____
(Telephone Number)

Public Financial Management, Inc., on behalf of the Authority, must receive this Statement on or before 1:00 p.m., November 4, 2014, or the business day preceding the date for receipt of bids. Email delivery to Daniel Beniak at beniakd@pfm.com is requested.

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New York City TRANSITIONAL FINANCE AUTHORITY

$850,000,000*
New York City Transitional Finance Authority
Future Tax Secured Subordinate Bonds
Fiscal 2015 Series B

$700,000,000* Subseries B-1
Tax-Exempt Bonds

$150,000,000* Subseries B-2
Taxable Bonds

OFFERING CIRCULAR

November , 2014

* Preliminary, subject to change.