

In the opinion of Bond Counsel, interest on the Taxable 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"). Interest on the Taxable Bonds will be includable in the gross income of the owners thereof for Federal income tax purposes. See "SECTION III: OTHER INFORMATION—TAX MATTERS" herein for further information.



**Future Tax Secured Bonds Fiscal 2002 Series B**  
**\$200,000,000 Taxable Adjustable Rate Bonds**  
**\$955,000 Taxable Fixed Rate Bonds**

Dated: Date of Delivery

Due: May 1, as shown on the inside cover

Price: 100%

The Future Tax Secured Bonds Fiscal 2002 Series B (the "2002 Series B Bonds") are being issued by the New York City Transitional Finance Authority (the "Authority") pursuant to Chapter 16, Laws of New York, 1997, as amended (the "Act"), and an Indenture, dated as of October 1, 1997, as amended and supplemented (the "Indenture"), by and between the Authority and State Street Bank and Trust Company, N.A., New York, New York, as trustee (the "Trustee").

The 2002 Series B Bonds will be on a parity with the \$7,488,160,000 of outstanding Future Tax Secured Bonds. Provided the statutory and contractual conditions are met, Other Series of Bonds on a parity with or subordinate to the 2002 Series B Bonds may be issued (all such parity bonds, the "Bonds"). See "SECTION II: THE BONDS—OTHER SERIES."

Pursuant to the Act, the Bonds are payable from the Revenues of the Authority derived from collections of personal income taxes imposed by the City and of sales and compensating use taxes imposed within the City. Such taxes are imposed pursuant to statutes enacted by the State. The State is not prohibited from amending, modifying, repealing or otherwise altering such taxes. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS", included herein by specific reference.

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

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

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

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

The Taxable Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, and to the approval of legality of the Taxable Bonds and certain other matters by Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the New York City Corporation Counsel. Certain legal matters will be passed upon for the Underwriter by Clifford Chance Rogers & Wells LLP, New York, New York. It is expected that the Taxable Bonds will be available for delivery to DTC in New York, New York, on or about November 14, 2001.

**Lehman Brothers**

November 1, 2001

**THE NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

\$200,000,000 Taxable Adjustable Rate Bonds due May 1, 2030 priced at par.

\$955,000 3.4% Taxable Fixed Rate Bonds due May 1, 2003 priced at par.

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

The information in this Offering Circular has been provided by the Authority, the City, the Bank and other sources considered by the Authority to be reliable. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized. No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representation with respect to the Taxable 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 Taxable Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Offering Circular contains forecasts, projections and estimates that are based on current expectations. In light of the important factors that may materially affect economic conditions in the City and the amount of Statutory Revenues (as defined herein), the inclusion in this Offering Circular of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the Underwriter that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Offering Circular, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, 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.

Unless otherwise noted, the projections and forecasts contained herein were made prior to the terrorist attack on the World Trade Center on September 11, 2001 and have not been revised to reflect changes that may occur as a result of this event.

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE TAXABLE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY CORPORATION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE TAXABLE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**RATE PERIOD TABLE  
FOR TAXABLE ADJUSTABLE RATE BONDS**

	DAILY RATE	WEEKLY RATE	MONTHLY RATE	QUARTERLY RATE	SEMIANNUAL RATE	TERM RATE	MONEY MARKET MUNICIPAL RATE
Interest Payment Date	First Business Day of each May and November	First Business Day of each May and November	First Business Day of each May and November	First Business Day of each May and November	First Business Day of the sixth calendar month following Conversion to the Semiannual Rate Period and the first Business Day of each sixth calendar month thereafter	First Business Day of the sixth calendar month following Conversion to the Term Rate Period and the first Business Day of each sixth calendar month thereafter	First Business Day following a Money Market Municipal Rate Period *
Record Date	Last Business Day of the calendar month next preceding the Interest Payment Date	Last Business Day of the calendar month next preceding the Interest Payment Date	Last Business Day of the calendar month next preceding the Interest Payment Date	Last Business Day of the calendar month next preceding the Interest Payment Date	Fifteenth day of the calendar month next preceding the Interest Payment Date	Fifteenth day of the calendar month next preceding the Interest Payment Date	Interest on presentment*
Date of Interest Rate Determination	Not later than 9:30 a.m., on each Business Day	Not later than 9:30 a.m. on the commencement date of the Weekly Rate Period, or if such day is not a Business Day, the next succeeding Business Day	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Monthly Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Quarterly Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Semiannual Rate Period	Not later than 4:00 p.m. on the Business Day immediately preceding the commencement of the Term Rate Period	Not later than 12:00 noon on the first Business Day of a Money Market Municipal Rate Period
Commencement of Rate Period	Each Business Day	On Conversion to a Weekly Rate and on each Wednesday thereafter	On Conversion to a Monthly Rate and on the first Business Day of each month thereafter	On Conversion to a Quarterly Rate and thereafter on the first Business Day of each third calendar month thereafter	On Conversion to a Semiannual Rate and thereafter on the first Business Day of each sixth calendar month thereafter	On Conversion to a Term Rate and thereafter on the first Business Day of any subsequent period of twelve months or any integral multiple thereof	Interest Rate Determination Date
Purchase Date	Any Business Day	Any Business Day	First day of each Rate Period	First day of each Rate Period	Any Interest Payment Date	Mandatory Tender	Mandatory Tender
Notice Period for Tender	Telephone notice by 9:00 a.m. on Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than 15 days prior to the Purchase Date	Written notice not later than 5:00 p.m. on any Business Day not less than 15 days prior to the Purchase Date	Mandatory Tender	Mandatory Tender
Tender Date for Tendered Bonds	Not later than 10:00 a.m., on the Purchase Date	Not later than 10:00 a.m., on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m. on the Purchase Date	Not later than 10:00 a.m., on the Purchase Date	Not later than 10:00 a.m., on the commencement of the Term Rate Period or the next succeeding Business Day	Not later than 10:00 a.m. on the commencement of a Money Market Municipal Rate Period
Payment Date for Tendered Bonds	Not later than 3:00 p.m. on the Purchase Date	Not later than 3:00 p.m. on the Purchase Date	Not later than 3:00 p.m. on the Purchase Date	Not later than 3:00 p.m. on the Purchase Date	Not later than 3:00 p.m. on the Purchase Date	Not later than 3:00 p.m. on the commencement of the Term Rate Period or the next succeeding Business Day	Not later than 3:00 p.m. on the commencement of a Money Market Municipal Rate Period

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

The information in this Rate Period Table is provided for the convenience of the Bondholders and is not meant to be comprehensive. See "SECTION II—THE TAXABLE BONDS" for a description of the Adjustable Rate Bonds.

\* Interest is also payable on the first Business Day of the sixth calendar month in an MMR Period exceeding six months; the Record Date therefor is the fifteenth day of the next preceding calendar month.

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

This Offering Circular of the New York City Transitional Finance Authority (the "Authority") sets forth information concerning the Authority in connection with the sale of the Authority's \$200,955,000 Fiscal 2002 Series B Future Tax Secured Taxable Bonds consisting of \$955,000 fixed rate bonds (the "Fixed Rate Bonds") and \$200,000,000 adjustable rate bonds (the "Adjustable Rate Bonds" and together with the Fixed Rate Bonds, the "Taxable Bonds"). The Taxable Bonds, together with \$419,235,000 Fiscal 2002 Series B Tax-Exempt Fixed Rate Bonds, not offered hereby, are herein called the "2002 Series B Bonds."

**INTRODUCTORY STATEMENT**

The Taxable Bonds are being issued pursuant to the Act and an Indenture, dated as of October 1, 1997, as amended and supplemented (the "Indenture") by and between the Authority and State Street Bank and Trust Company, N.A., as trustee (the "Trustee"). The Authority and The City of New York (the "City") entered into a Financing Agreement (the "Agreement"), dated October 1, 1997, as supplemented, providing for the application of Bond proceeds for City capital expenditures and containing various covenants of the City.

The Taxable Bonds are payable from the Revenues of the Authority which are derived from the Personal Income Tax Revenues and Sales Tax Revenues (each as defined herein). See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" under "SECTION I: INCLUSION BY SPECIFIC REFERENCE."

The factors affecting the Authority and the Taxable Bonds described throughout this Offering Circular are complex and are not intended to be summarized in this Introductory Statement. This Offering Circular (including the information referred to in SECTION I: INCLUSION BY SPECIFIC REFERENCE) should be read in its entirety. Capitalized terms not otherwise defined in this Offering Circular are defined in "Appendix A—Definitions."

**SECTION I: INCLUSION BY SPECIFIC REFERENCE**

Portions of the Authority's Offering Circular, dated November 1, 2001, delivered herewith and relating to the \$419,235,000 of the Authority's Tax-Exempt Fixed Rate Future Tax Secured Bonds, subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

**SUMMARY OF TERMS**

SECTION I:	INTRODUCTION
SECTION II:	SOURCES OF PAYMENT AND SECURITY FOR THE BONDS
SECTION III:	ECONOMIC AND DEMOGRAPHIC STATISTICS
SECTION V:	THE AUTHORITY
SECTION VI:	LITIGATION
SECTION IX:	APPROVAL OF LEGALITY
SECTION X:	FINANCIAL ADVISOR
SECTION XI:	FINANCIAL STATEMENTS
SECTION XII:	CONTINUING DISCLOSURE UNDERTAKING
SECTION XIV:	LEGAL INVESTMENT

APPENDIX A: SUMMARY OF INDENTURE AND AGREEMENT  
APPENDIX B: FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

**SECTION II: THE TAXABLE BONDS**

**Fixed Rate Bonds**

The Fixed Rate Bonds will be dated the date of delivery, bear interest and mature on the date as set forth on the inside cover page of this Offering Circular unless redeemed prior to maturity. All of the Series 2002 B Bonds will be issued in book-entry only form.

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

**Adjustable Rate Bonds**

The Adjustable Rate Bonds (i) bearing a Money Market Municipal Rate, a Daily Rate, a Weekly Rate, a Monthly Rate or a Quarterly Rate shall be fully registered Bonds in the denomination of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, and (ii) bearing a Semiannual Rate, a Term Rate or a Fixed Rate shall be fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof (in each case, an "Authorized Denomination"). The Adjustable Rate Bonds shall bear interest at Daily Rates from their date of issuance as described below in "Interest on Adjustable Rate Bonds." All or a portion of the Adjustable Rate Bonds are subject to Conversion to a Fixed Rate, to or from Auction Rates, or from a Variable Rate Period to a different Variable Rate Period or to the Money Market Mode, or from the Money Market Mode to a Variable Rate Period. The rate of interest for any Rate Period shall be determined as described below, and each determination of rate or period shall be conclusive and binding upon the Remarketing Agent, the Authority, the Bank, the Trustee, the Paying Agent, the Tender Agent and the Bondholders.

**Use of Proceeds**

The proceeds of the Taxable Bonds will be used, along with other funds of the Authority, to provide for the payment of the Authority's Fiscal 2002 Series 2 Bond Anticipation Notes, the proceeds of which have been used to finance City capital expenditures, and to pay other Project Capital Costs. Certain expenses of the Authority incurred in connection with the issuance and sale of the 2002 Series B Bonds will be paid from the proceeds of the 2002 Series B Bonds.

**Other Series**

The bonds and Notes of the Authority may be issued only (i) as Senior Bonds (or Notes in anticipation thereof) (x) to pay or reimburse Project Capital Costs, but (I) not to exceed \$12 billion in issuance amount, measured by proceeds to the Authority, and (II) subject to a \$330 million limit on Quarterly Debt Service to be payable, or (y) to refund or renew such Bonds or Notes, subject to a \$330 million limit on Quarterly Debt Service to be payable; or (ii) as Subordinate Bonds (or Notes in anticipation thereof), with Rating Confirmation, but (iii) no Series of Senior Bonds shall be authenticated and delivered without Rating Confirmation unless the amount of collections of Statutory Revenues for the twelve consecutive calendar months ended not more than two months prior to the calculation date less the aggregate amount of operating expenses of the Authority for the current fiscal year is at least three times the amount of annual Debt Service, including debt service on the series of Bonds proposed to be issued,

for each fiscal year Bonds will be Outstanding. See "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT" included by specific reference.

### **Interest On Adjustable Rate Bonds**

Interest for any Rate Period shall accrue from and including the commencement date of such Rate Period through and including the last day thereof. The Interest Payment Dates for the Adjustable Rate Bonds shall be: (a) the first Business Day of each May and November, in the case of interest payable at Daily, Weekly, Monthly or Quarterly Rates; (b) the first Business Day of the sixth calendar month following a Conversion to a Semiannual Rate Period or Term Rate Period and the first Business Day of each sixth calendar month thereafter, in the case of interest payable at Semiannual or Term Rates; (c) the first day of each May and November, in the case of interest payable at a Fixed Rate or in any case not otherwise specified; (d) the first Business Day of the sixth month in the case of a period during which a specific Money Market Municipal Rate applies (the "MMMR Period") exceeding six months and the first Business Day following the MMMR Period, in the case of interest payable at Money Market Municipal Rates; (e) the date of any redemption or mandatory tender of Adjustable Rate Bonds for purchase; and (f) the date of maturity. Interest shall be payable on each Interest Payment Date to the registered owner as of the close of business on the appropriate Record Date except that following an MMMR Period, interest shall be payable on the Bonds only upon presentation thereof to the Tender Agent upon purchase thereof and if such presentation is made by 10:00 a.m. (New York City time) such payment shall be by wire transfer.

Computations of interest shall be based on 365-day or 366-day years for the actual number of days elapsed; except that interest at Semiannual, Term or Fixed Rates shall be computed on the basis of a year of 360 days and twelve 30-day months.

The Variable Rate or a Money Market Municipal Rate of interest shall not exceed 14% per annum; and the rate of interest shall never in any event exceed 25% per annum.

#### *Variable Rates*

Variable Rates shall be determined on the following dates (the "Rate Determination Dates"): (a) not later than 9:30 a.m., New York City time, on the commencement date of each Daily Rate Period; (b) not later than 9:30 a.m., New York City time, on the commencement date of each Weekly Rate Period (or, if such date is not a Business Day, on the immediately succeeding Business Day); and (c) not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of each Monthly, Quarterly, Semiannual or Term Rate Period.

Each Variable Rate Period shall commence: (a) initially, on the effective date of a Conversion to such Variable Rate Period; and (b) thereafter (i) on each Business Day following such Conversion, in the case of Daily Rate Periods, (ii) on Wednesday of each week commencing after such Conversion, in the case of Weekly Rate Periods, (iii) on the first Business Day of each calendar month commencing after such Conversion, in the case of Monthly Rate Periods, (iv) on the first Business Day of each third calendar month commencing after such Conversion, in the case of Quarterly Rate Periods, (v) on the first Business Day of each sixth calendar month commencing after such Conversion, in the case of Semiannual Rate Periods, and (vi) on the first Business Day of the calendar month that is twelve or an integral multiple of twelve, as the case may be, months from the calendar month of such Conversion, in the case of Term Rate Periods. Each such Variable Rate Period shall end on the last day preceding the earliest of the commencement date of the next Rate Period, the date of maturity and the date of any mandatory tender.

Each Variable Rate shall be determined by the Remarketing Agent and shall represent the rate which, in the judgment of the Remarketing Agent, is the lowest rate of interest that would cause the Adjustable Rate Bonds to have a market value equal to the principal amount thereof, plus accrued interest (if any), under prevailing market conditions on the commencement date of the applicable Rate Period. In the event that the Remarketing Agent no longer determines, or fails to determine when required, any Variable Rate for any Bond in a Variable Rate Period, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Variable Rate for such Period shall be a Daily Rate equal to 105% of the 30-day Dealer Commercial Paper Rate set forth in Federal Reserve Board Statistical Release H.15(519) of such day.

Notice of each Variable Rate shall be given by the Remarketing Agent by telephone confirmed in writing to the Authority, the Trustee, the Bank, the Tender Agent and the Paying Agent not later than 4:00 p.m., New York City time, on the Rate Determination Date (except that the Remarketing Agent shall give such notice on each Tuesday (or, if not a Business Day, on the next succeeding Business Day) of the Daily Rate applicable to each day of the previous week), and the Tender Agent (or the Remarketing Agent in the case of Daily Rates) shall make such rate or rates available from the time of notification to the owners of the Adjustable Rate Bonds upon request for such information. Notice of interest rates shall be given (a) in the case of Daily Rates and Weekly Rates, by the Paying Agent to the owners of Adjustable Rate Bonds which bear interest at Daily Rates or Weekly Rates on each Interest Payment Date with the distribution of interest on such Bond; and (b) other than for Daily Rates and Weekly Rates, by mail by the Tender Agent by the third Business Day following the applicable Rate Determination Date.

#### *Money Market Mode*

For Adjustable Rate Bonds bearing interest in the Money Market Mode, the Money Market Municipal Rate for each MMMR Period for each Bond shall be determined as follows:

(i) Establishment of MMMR Periods. At or prior to 12:00 noon, New York City time, on the date of issue or any Conversion Date upon which Adjustable Rate Bonds will begin to bear interest in the Money Market Mode and on any day immediately after the end of an MMMR Period, the Remarketing Agent shall establish MMMR Periods in accordance with instructions from the Authority with respect to Adjustable Rate Bonds for which no MMMR Period is currently in effect. Any MMMR Period may not exceed 270 days and may not extend beyond the day prior to the maturity date of the Bond or to any applicable mandatory tender date of which notice has been given prior to the establishment of the MMMR Period.

(ii) Setting of Rates. On the first Business Day of each MMMR period (the "Rate Determination Date"), the Remarketing Agent shall set a rate (a "Money Market Municipal Rate") by 12:00 noon, New York City time, for each MMMR Period. For each MMMR Period, the Money Market Municipal Rate shall be the rate of interest that, if borne by the Adjustable Rate Bonds, would, in the judgment of the Remarketing Agent, having due regard to the prevailing market conditions as of the Rate Determination Date, be the lowest rate of interest necessary to enable the Remarketing Agent to remarket such Bonds at a price of par on the commencement date of the applicable MMMR Period.

The Authority may change its instructions about the establishment of MMMR Periods pursuant to the preceding paragraph (i) in a written direction from the Authority, which direction must be received by the Remarketing Agent prior to 10:00 am., New York City time, on the day prior to any Rate Determination Date to be effective on such date, but only if the Authority receives an opinion of Bond Counsel to the effect that such an action is authorized by the Indenture.



Notice of each Money Market Municipal Rate and MMMR Period for each Adjustable Rate Bond shall be given by the Remarketing Agent to the Authority, the Bank, the Trustee, the Paying Agent and the Tender Agent not later than 1:00 p.m., New York City time, on the Rate Determination Date, and the Tender Agent shall make such rate and period available from the time of notification to the owners of Adjustable Rate Bonds upon request for such information.

In the event that the Remarketing Agent no longer determines, or fails to determine when required, any MMMR Period or any Money Market Municipal Rate for any Adjustable Rate Bond in the Money Market Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the MMMR Period for any such Bond shall automatically extend from the day after the next preceding MMMR Period to but not including the next succeeding Business Day and the Money Market Municipal Rate for each such MMMR Period shall automatically be equal to 105% of the 30-day Dealer Commercial Paper Rate set forth in Federal Reserve Board Statistical Release H.15(519) of such day.

#### *Fixed Rates*

The Fixed Rate to be effective to maturity upon Conversion to such rate shall be determined by the Remarketing Agent on the date (the "Rate Determination Date") specified in the notice of mandatory tender related to such Conversion and shall represent the lowest rate that, in the judgment of the Remarketing Agent, would cause the Adjustable Rate Bonds being converted to have a market value equal to the principal amount thereof as of the commencement date of the applicable Rate Period under prevailing market conditions.

#### **Conversions**

Upon the direction of the Authority, all or a portion of the Adjustable Rate Bonds may be converted to a Fixed Rate (and may simultaneously be serialized), to or from Auction Rates, or from one Variable Rate Period to a different type of Variable Rate Period (including a change from one Term Rate Period to a Term Rate Period equal or approximately equal in length to a different number of years from the preceding Term Rate Period) or to the Money Market Mode, or from the Money Market Mode to a Variable Rate Period; in each case on, if from a Variable Rate Period other than a Term Rate Period, a regularly scheduled Interest Payment Date for the Rate Period from which the Conversion is to be made; if from a Term Rate Period, only on a date on which a new Term Rate Period would have commenced; and if from the Money Market Mode, only on a regularly scheduled Mandatory Tender Date for all Adjustable Rate Bonds to be converted which is at least 30 days after notice of mandatory tender upon Conversion is given to Bondholders.

Not later than the 15th day prior to the Conversion Date (or the immediately succeeding Business Day, if such 15th day is not a Business Day), the Authority may irrevocably withdraw its election to convert the Adjustable Rate Bonds and its notice of mandatory tender by giving written notice of such withdrawal to the Tender Agent, the Trustee, the Paying Agent, the Remarketing Agent, and the Bank. In the event the Authority gives such notice of withdrawal (or upon failure to meet the conditions specified below), (i) the Tender Agent shall promptly give Written Notice to the owners of all Adjustable Rate Bonds that were to be converted and (ii) such Adjustable Rate Bonds shall continue to bear interest at a Variable Rate or a Money Market Municipal Rate, or otherwise, as the case may be. Failure by the Tender Agent to provide such notice to the owners of the Adjustable Rate Bonds shall not affect the validity of the notice of withdrawal given by the Authority.

Subject to meeting the conditions to such Conversion contained in the Indenture and the Liquidity Facility, the Authority shall convert to Auction Rates or a Fixed Rate all Adjustable Rate Bonds bearing

interest at a Variable Rate or a Money Market Municipal Rate prior to the mandatory tender that would occur upon expiration of the Liquidity Facility if the Liquidity Facility is not extended or replaced.

Each Conversion is conditioned upon determination of the new rate or rates of interest and delivery to the Authority (not later than 10:00 a.m. on the Conversion Date) of (a) an opinion of Bond Counsel to the effect that such Conversion is authorized by the Indenture, and (b) in the case of Conversion to a Variable Rate or to the Money Market Mode, evidence that the Liquidity Facility provides for coverage of interest for a period at least 5 days longer than the period that will extend between Interest Payment Dates after such Conversion.

### **Tender of Adjustable Rate Bonds**

So long as no Liquidity Condition exists, each Adjustable Rate Bond bearing interest at (i) a Variable Rate (other than the Term Rate) shall be subject to optional or mandatory tender for purchase by the Tender Agent or the Bank on or prior to the Fixed Rate Conversion Date, and (ii) a Term Rate or a Money Market Municipal Rate shall be subject to mandatory tender for purchase by the Tender Agent or the Bank on or prior to the Fixed Rate Conversion Date. In each case, such purchases shall be made at a purchase price (the "Purchase Price") equal to 100% of the principal amount to be purchased, plus all accrued and unpaid interest thereon to the date of purchase thereof (the "Purchase Date"), which principal and interest components shall be applied to the purchase of the rights to receive such principal and interest, when and as the same is or becomes due, from the Owner or Owners of such rights.

Tenders for purchase at the option of the Bondowner shall be permitted (a) on any Business Day during a Daily or Weekly Rate Period, (b) on the first Business Day of each Monthly or Quarterly Rate Period, and (c) on any Interest Payment Date following a Semiannual Rate Period. All Adjustable Rate Bonds or portions thereof tendered or retained shall be in Authorized Denominations.

Mandatory tender for purchase of an Adjustable Rate Bond bearing interest at a Variable Rate or a Money Market Municipal Rate shall occur (a) on the commencement date of an MMR Period but only with respect to the Adjustable Rate Bond to which such Period relates, (b) on the commencement date of a Term Rate Period for such Bond, (c) on the effective date of any Conversion of such Bond, and (d) as described below under "Mandatory Tender to the Bank" and "Liquidity Facility."

The owners of the Adjustable Rate Bonds may not elect to retain their Bonds upon any mandatory tender for purchase.

In the case of any tender for purchase at the option of a Bondowner, irrevocable notice of the exercise of such option, specifying the Purchase Date and the principal amount to be purchased, shall be required to be given to the Tender Agent: (a) by telephone not later than 9:00 a.m., New York City time, on the Purchase Date, in the case of any Adjustable Rate Bond bearing interest at a Daily Rate; or (b) in writing delivered to the designated office of the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day which is not less than (i) seven days prior to the Purchase Date, in the case of any Adjustable Rate Bond bearing interest at a Weekly or Monthly Rate, or (ii) 15 days prior to the Purchase Date, in the case of any Adjustable Rate Bond bearing interest at a Quarterly or Semiannual Rate.

The Remarketing Agent will remarket tendered Adjustable Rate Bonds as provided in the Indenture. The Authority may, but is not obligated to, purchase tendered Adjustable Rate Bonds. The Bank agrees in the Liquidity Facility that, so long as no Liquidity Condition exists, it will purchase tendered Adjustable Rate Bonds upon timely delivery by the Tender Agent of a Notice demanding such purchase. See below "Liquidity Facility."

The purchase price shall be payable (if an Adjustable Rate Bond is delivered to the Tender Agent not later than 10:00 a.m., New York City time, on the Purchase Date) by the Tender Agent by wire transfer or at its designated office in immediately available funds, on the Purchase Date to the Owner thereof.

By acceptance of an Adjustable Rate Bond, each Bondholder irrevocably agrees that, if an Adjustable Rate Bond is to be purchased on any date and sufficient funds are duly deposited for all purchases to be made on such date, then such Bond shall be deemed to have been purchased for all purposes thereunder and under the Indenture and, thereafter, the Bondholder shall have no further rights thereunder or under the Indenture with respect to such Bond, except to receive the Purchase Price from the funds so deposited upon surrender thereof.

If either the funds available for purchases of Adjustable Rate Bonds are inadequate for the purchase of all Adjustable Rate Bonds tendered on any Purchase Date or a Liquidity Condition shall exist, all Adjustable Rate Bonds theretofore bearing interest at a Variable Rate or a Money Market Municipal Rate shall bear interest from such date at the highest rate provided by law for interest on accrued claims against municipalities and shall no longer be subject to optional or mandatory tender for purchase (except upon Conversion to a Fixed Rate or an Auction Rate); and the Tender Agent shall immediately: (i) return all tendered Adjustable Rate Bonds to the owners thereof; (ii) return all money received for the purchase of such Adjustable Rate Bonds to the persons providing such money; and (iii) give Written Notice to all Adjustable Rate Bondholders. As long as no Liquidity Condition exists, the obligation to deposit funds in sufficient amounts to purchase Adjustable Rate Bonds from either proceeds of the applicable Liquidity Facility or remarketing proceeds will remain enforceable pursuant to the terms of the Indenture and only be discharged at such time as funds are deposited with the Tender Agent in an amount sufficient to purchase all Adjustable Rate Bonds that were required to be purchased on the prior optional tender date or mandatory tender date, together with any interest which has accrued to such subsequent purchase date.

### **Mandatory Tender to the Bank**

So long as no Liquidity Condition exists, each of the Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate is subject to mandatory tender for purchase by the Bank pursuant to the Liquidity Facility, on the Purchase Date following a Notice of Purchase (as defined in the Liquidity Facility, the "Notice") from the Tender Agent to the Bank, at the applicable Purchase Price. If (x) on the fifteenth day prior to the Scheduled Termination Date of the Liquidity Facility, Adjustable Rate Bonds are bearing interest at a Variable Rate or a Money Market Municipal Rate and the Authority has not given Written Notice to the Tender Agent of the extension or replacement of the Liquidity Facility or (y) the Tender Agent receives a notice of mandatory tender from the Bank, which notice shall be given to the Remarketing Agent as well, the Tender Agent shall give the Notice on that day (or, at the latest, by a specified time on the next Business Day); and the Tender Agent shall promptly notify all registered owners of such Bonds, by certified mail, postage prepaid, return receipt requested, of its Notice. Such notice to registered owners shall also state the Purchase Date (which shall be the last Business Day on or prior to the date of expiration or termination of the Bank's commitment); that the Bonds subject to such mandatory tender shall be required to be surrendered to the Tender Agent on the Purchase Date; that if such Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon the deposit by the Tender Agent of sufficient money in a special account for the payment of the Purchase Price of such Bond, interest on such Bond shall cease to accrue to the former owner and such Bond shall be deemed purchased by the Bank. All Adjustable Rate Bonds purchased as described pursuant to this paragraph shall be paid for from funds furnished under the Liquidity Facility upon presentation and surrender thereof, together with an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the registered owner thereof, at the office of the Tender Agent. If Notice is not given as aforesaid, the expiration or termination shall nonetheless take

effect and, following the expiration or termination of the Bank's Commitment, such Bonds bearing interest at a Variable Rate or Money Market Municipal Rate shall bear interest at the highest rate provided by law for interest on accrued claims against municipalities as of such date (that is, the rate stated in subdivision one of Section 3-a of the General Municipal Law, as amended or superseded from time to time) and shall not be subject to optional or mandatory tender for purchase (except upon Conversion to a Fixed Rate or an Auction Rate).

### **Optional Redemption**

Prior to Conversion to a Fixed Rate, Adjustable Rate Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part, (a) if bearing interest at a Variable Rate, Auction Rate or a Money Market Municipal Rate, on any potential Conversion Date following their defeasance, or (b) if bearing interest as Bank Bonds or at the highest rate provided by law for interest on accrued claims against municipalities, on any date, in each case on 30 days' notice at the principal amount thereof plus any interest accrued and unpaid thereon. The Authority may select amounts and maturities of Bonds to be optionally redeemed in its sole discretion. In the event that less than all Adjustable Rate Bonds are to be redeemed, Adjustable Rate Bonds shall be selected for redemption in the following manner: (i) first, from Adjustable Rate Bonds, if any, which are held by or for a Bank, (ii) second, from other Adjustable Rate Bonds bearing interest as Bank Bonds or at the highest rate provided by law for interest on accrued claims against municipalities; and (iii) third, by lot.

Following a Fixed Rate Conversion, the Adjustable Rate Bonds will be subject to redemption at the option of the Authority beginning on the tenth anniversary of the Fixed Rate Conversion Date, in whole or in part, by lot within each maturity, on any date, at a redemption price of 101%, which price shall decline annually by 1% per annum, until reaching a price of 100% on the eleventh anniversary, to remain in effect thereafter, plus accrued interest to the date of redemption. The Authority may select amounts and maturities of such Bonds for optional redemption in its sole discretion. Prior to Conversion to a Fixed Rate, such optional redemption provisions may be amended if the Authority receives an opinion of Bond Counsel to the effect that such amendment is authorized by law.

## Principal Installments

The Adjustable Rate Bonds are subject to mandatory redemption at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

<u>May 1</u>	<u>Amount</u>
2003	\$ 5,495,000
2004	5,415,000
2005	7,740,000
2006	4,185,000
2007	45,000
2008	50,000
2009	55,000
2010	3,305,000
2011	1,740,000
2012	375,000
2013	80,000
2014	65,000
2015	3,460,000
2016	1,780,000
2017	2,410,000
2018	2,460,000
2019	3,075,000
2020	14,595,000
2021	20,245,000
2022	21,535,000
2023	22,925,000
2024	24,405,000
2025	25,980,000
2030*	28,580,000*

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\*Maturity

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

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

## Defeasance

For the purpose of determining whether Adjustable Rate Bonds shall be deemed to have been defeased, the interest to come due on such Adjustable Rate Bonds shall be calculated at the maximum rate; and if, as a result of such Adjustable Rate Bonds having borne interest at less than the maximum rate for any period, the total amount on deposit for the payment of interest on such Adjustable Rate Bonds exceeds the total amount required, the balance shall be paid to the Authority.

## **Liquidity Facility**

Prior to and including the Conversion Date to Fixed Rate or Auction Rates for the Adjustable Rate Bonds the Authority shall, as required by law, keep in effect one or more liquidity facility agreements for the benefit of the Bondholders, which shall require a financially responsible party or parties other than the Authority to purchase all or any portion of such Adjustable Rate Bonds tendered by the holders thereof for repurchase prior to the maturity of such Adjustable Rate Bonds. A financially responsible party or parties, for the purposes of this paragraph, shall mean a person or persons determined by the Directors of the Authority to have sufficient net worth and liquidity to purchase and pay for on a timely basis all of the Adjustable Rate Bonds which may be tendered for repurchase by the holders thereof.

Registered Owners of the Adjustable Rate Bonds bearing interest at a Variable Rate or Money Market Municipal Rate are entitled to the benefits of and subject to the terms of a Liquidity Facility under which a Bank agrees, subject to the Liquidity Conditions, to make available to the Tender Agent, upon receipt of an appropriate demand for payment, the Purchase Price for the Adjustable Rate Bonds. The Bank's commitment under the Liquidity Facility in the initial mode will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Adjustable Rate Bonds at an assumed rate of 14%.

Neither the Bank nor any other party shall be under any obligation to purchase any Adjustable Rate Bond upon the occurrence and continuation of a Liquidity Condition, as defined in Appendix A.

Mandatory purchase by the Bank of Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall occur under the circumstances specified in the Indenture, including (at the option of the Bank) the Authority's failure to pay amounts due to the Bank. The Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate will be subject to mandatory tender for purchase by the Bank upon notice given 15 days before the expiration of the Liquidity Facility if the Liquidity Facility is not extended or replaced. The scheduled Termination Date of the Liquidity Facility is November 1, 2006.

Upon the purchase of an Adjustable Rate Bond by a Bank, all interest from the last date on which interest was paid shall accrue for the benefit of and be payable to such Bank.

The Authority may substitute another party for a Bank, subject to compliance with the Indenture and the Liquidity Facility. The holders of the affected Adjustable Rate Bonds shall be notified of any assumption of such Bank's rights and obligations.

The preceding is a summary of certain provisions expected to be included in the Liquidity Facility and the proceedings under which the Adjustable Rate Bonds are to be issued, and is subject in all respects to the underlying documents, copies of which will be available for inspection during business hours at the office of the Tender Agent. Information regarding the Bank is included herein as Appendix B hereto. Neither the Authority nor the Underwriter makes any representation with respect to the information in Appendix B hereto.

## **Book-Entry Only System**

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

The Depository Trust Company (with its nominee, "DTC"), as an automated clearinghouse for securities transactions, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, LLC., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

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

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

DTC will not consent or vote with respect to the Bonds. 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 Bonds, as appropriate, are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payable date. 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 principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC as the sole and exclusive registered owner of the Bonds registered in its name for the purpose of payment of the principal of or interest on the Bonds, giving any notice permitted or required to be given to registered owners under the Indenture registering the transfer of the Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to: the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or interest on the Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as a registered owner. Interest and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR BONDHOLDERS OF THE BONDS (OTHER THAN UNDER "SECTION III: OTHER INFORMATION – TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

For every transfer and exchange of beneficial ownership of the Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its service with respect to the Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event the Authority may retain another securities depository for the Bonds as appropriate, or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such Bonds may thereafter be exchanged for denominations and of the same maturity as set forth in the Indenture, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.



Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information furnished by DTC. Neither the Authority nor the Underwriters make 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.

### **SECTION III: OTHER INFORMATION**

#### **Tax Matters**

In the opinion of Bond Counsel, interest on the Taxable Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City. Interest on the Taxable Bonds will be includable in the gross income of the owners thereof for purposes of Federal income taxation.

#### **Underwriting**

The Taxable Bonds are being purchased for reoffering by Lehman Brothers Inc. at a discount of \$141,637.22. The Underwriters of the 2002 Series B Bonds will be obligated to purchase all of the 2002 Series B Bonds if any such Bonds are purchased.

#### **Legal Opinions**

The legality of the authorization and issuance of the 2002 Series B Bonds will be covered by the approving legal opinion of Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel to the Authority. Reference should be made to the form of such opinion set forth in Appendix C hereto for the matters covered by such opinion and the scope of Bond Counsel's engagement in relation to the issuance of the 2002 Series B Bonds. Such firm is also acting as counsel for and against the City in other unrelated matters.

Certain legal matters are subject to approval by the Corporation Counsel of the City, counsel to the Authority and the City, and by Clifford Chance Rogers & Wells LLP, New York, New York, counsel for the Underwriter.

#### **Miscellaneous**

The references herein to the Act, the Indenture and the Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act, the Indenture and the Agreement for full and complete statements of such provisions. Copies of the Act, the Indenture and the Agreement are available at the offices of the Trustee.

The agreements of the Authority with holders of the Bonds are fully set forth in the Indenture. Neither any advertisement of the Taxable Bonds nor this Offering Circular is to be construed as a contract with purchasers of the Taxable Bonds.

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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**ADJUSTABLE RATE BONDS — DEFINITIONS**

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

*Bank:* The Bank providing a Liquidity Facility for the Adjustable Rate Bonds; initially Westdeutsche Landesbank Girozentrale, acting through its New York branch.

*Bond Counsel:* Any nationally recognized bond counsel retained by the Authority.

*Bondholder or Owner:* The person in whose name any Adjustable Rate Bond is registered on the books of the Authority.

*Business Day:* Initially a day (i) other than a day on which banks located in The City of New York are required or authorized by law or executive order to close and (ii) on which the New York Stock Exchange is not closed.

*Conversion:* A change in the type of Rate Period applicable to Adjustable Rate Bonds to Auction Rates, a Fixed Rate, the Money Market Mode or a Variable Rate, including a change to a different type of Variable Rate Period and including a change from a Term Rate Period to a Term Rate Period equal (or approximately equal) in length to a different number of years from the preceding Term Rate Period.

*Conversion Date:* The effective date of a Conversion.

*Daily Rate:* The interest rate that may be determined for the Adjustable Rate Bonds on each Business Day pursuant to the Indenture.

*Fixed Rate:* The rate at which the Adjustable Rate Bonds shall bear interest from and including the Fixed Rate Conversion Date therefor to the maturity or earlier redemption thereof.

*Indenture:* The Indenture of Trust by and between the Authority and the Trustee, dated as of October 1, 1997, as amended and supplemented.

*Liquidity Condition:* An event of default under the Liquidity Facility that causes the immediate termination or suspension of the Bank's obligation to purchase. Events of default causing the immediate termination or suspension of the Bank's obligation to purchase Adjustable Rate Bonds are (i) failure by the Authority to pay when due any interest, principal or redemption premium on a Note or Bond; (ii) insolvency of the Authority; (iii) amendment or repeal by the State of the provisions of the law obligating the State to pay over to the Authority Personal Income Taxes (as defined in the Indenture) or Alternative Revenues (as defined in the Indenture) in accordance with the terms of such law as now in effect; (iv) delivery by the Authority of an officer's certificate pursuant to Section 604(c) of the Indenture showing estimated Revenues (as defined in the Indenture) to be less than 150% of Debt Service (as defined in the Indenture); (v) enactment by the State of a moratorium or other similar law affecting the Bonds or Notes; and (vi) a final, nonappealable judgment shall be issued by a court of competent jurisdiction or the Authority shall initiate legal proceedings asserting that the Bonds or any material provision of the Liquidity Facility or the Indenture is invalid or that the Authority has no liability thereon.

*Liquidity Facility:* Each Standby Bond Purchase Agreement, from time to time in effect between the Authority and a Bank.

*MMMR Period:* The period during which a specific Money Market Municipal Rate applies.

*Money Market Mode:* The Period or sequence of Periods during which the Adjustable Rate Bonds bear interest at Money Market Municipal Rates.

*Money Market Municipal Rate:* The interest rate that may be separately determined for each Adjustable Rate Bond pursuant to the Indenture. The Money Market Municipal Rate shall not exceed 9% per annum.

*Monthly Rate:* The interest rate that may be determined for the Adjustable Rate Bonds on a monthly basis pursuant to the Indenture.

*Notice:* A notice of purchase, pursuant to the Liquidity Facility.

*Quarterly Rate:* The interest rate that may be determined for the Adjustable Rate Bonds on a quarterly basis pursuant to the Indenture.

*Rate Period or Period:* With respect to a Money Market Municipal Rate, a Daily Rate, a Weekly Rate, a Monthly Rate, a Quarterly Rate, a Semiannual Rate, a Term Rate or a Fixed Rate, the period during which a specific rate of interest determined for any Adjustable Rate Bonds will remain in effect.

*Rating Agency:* Each of Fitch, Inc., Moody's Investors Service, Inc. and Standard & Poor's Credit Market Services that has, at the request of the Authority, a rating in effect for the Adjustable Rate Bonds.

*Rating Confirmation:* Evidence from each Rating Agency that its applicable rating will not be reduced or withdrawn solely as a result of an action to be taken by the Authority.

*Record Date:* With respect to each Interest Payment Date, (i) during a Daily, Weekly, Monthly or Quarterly Rate Period, the last Business Day of the calendar month next preceding the Interest Payment Date; (ii) during a Semiannual or Term Rate Period, and for the Interest Payment Date in an MMMR Period exceeding six months, the fifteenth day of the calendar month next preceding such Interest Payment Date; and (iii) during a Fixed Rate Period, the fifteenth day of the preceding calendar month.

*Remarketing Agent:* Lehman Brothers Inc.

*Semiannual Rate:* The interest rate that may be determined for the Adjustable Rate Bonds on a semiannual basis pursuant to the Indenture.

*Tender Agent:* State Street Bank and Trust Company, N.A., New York, New York, or any successor appointed pursuant to the Indenture. The Tender Agent's designated office is 61 Broadway, 15<sup>th</sup> Floor, New York, New York.

*Term Rate:* The interest rate that may be determined for the Adjustable Rate Bonds for a Period that is equal or approximately equal to (but not more than) one year or any whole multiple thereof.

*Termination Notice:* A Termination Notice, as defined in the Liquidity Facility.

*Variable Rate:* As the context requires, the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate or Term Rate applicable to the Adjustable Rate Bonds. No Variable Rate shall exceed 14% per annum.

*Weekly Rate:* The interest rate that may be determined for the Adjustable Rate Bonds on a weekly basis pursuant to the Indenture.

*Written Notice:* Notice in writing which may be delivered by hand, first class mail, facsimile transmission (such as telecopy), telegram or telex.

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## DESCRIPTION OF WESTDEUTSCHE LANDESBANK GIROZENTRALE

### *Background Information*

Westdeutsche Landesbank Girozentrale (“WestLB”), which traces its history to 1832, was created by the merger of two central banks, or Landesbanks (German State Banks), in the State of North Rhine-Westphalia, the Federal Republic of Germany (“Germany”) on January 1, 1969. As a German universal bank, WestLB provides commercial and investment banking services regionally, nationally and internationally to public, corporate and bank customers. WestLB is the largest of the Landesbanks and, on the basis of total assets at December 31, 2000, was the fifth largest bank in Germany. At December 31, 2000, WestLB had total assets of approximately € 304 billion (US\$ 283 billion).

WestLB also performs the functions of a state and municipal bank for the State of North Rhine-Westphalia and acts as the central bank of the Sparkassen (savings banks) in North Rhine-Westphalia (Germany’s most populous state). It conducts a comprehensive range of wholesale banking business and has the power to issue mortgage bonds, municipal bonds and other bonds and is one of the largest continuous issuers of long term debt in Germany. In its capacity as central bank, WestLB acts as the clearing and depository bank for the savings banks in North Rhine-Westphalia. As a state bank, WestLB provides trustee services for state-supported lending programs in housing, regional economic assistance, middle market firms and environmental protection. Internationally, the WestLB Group (the “Group”) operates through an extensive network of banking subsidiaries, branches and representative offices to provide a range of financial services to its clients.

Pursuant to a guaranty obligation (Gewährträgerhaftung) set forth in Section 37 of the North Rhine-Westphalia Savings Bank Act and Section 5 of the Ordinances of WestLB, North Rhine-Westphalia together with the other guarantors specified therein (including regional authorities and savings bank associations) are jointly and severally liable without restriction for all obligations of WestLB, including all obligations of WestLB New York. The guaranty obligation gives creditors a direct claim against North Rhine-Westphalia only if the claims of the creditors have not first been satisfied out of the assets of WestLB, including the assets of WestLB New York.

In addition to being liable under the guaranty obligation, North Rhine-Westphalia, having established WestLB, is responsible to WestLB for the performance of WestLB’s obligations, including all obligations of WestLB New York. This maintenance obligation (Anstaltslast), while not a formal guaranty affording creditors of WestLB a direct claim against North Rhine-Westphalia, requires North Rhine-Westphalia to keep WestLB in a position to perform its functions and to enable it, in the event of financial difficulties, to perform its obligations, when due.

### *The New York Branch*

The New York Branch of WestLB (“WestLB New York”) is licensed and subject to supervision and regulation by the Superintendent of Banks of the State of New York. WestLB New York is examined by the New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. In addition to being subject to New York banking laws and regulations, WestLB and WestLB New York are also subject to the International Banking Act of 1978 (the “IBA”) and the Foreign Bank Supervision Enhancement Act of 1991, and WestLB is subject to federal regulation under the IBA and the Bank Holding Company Act of 1956.

*Summary of Results of Operations and Financial Condition for the Fiscal Year Ended December 31, 2000*

The Bank's total assets decreased by 1% (from € 308 billion in 1999) to € 304 billion in the 2000 business year. WestLB's total business volume expanded in 2000 by 1% (from € 396 billion in 1999) to € 399 billion in 2000. WestLB's capital and reserves increased by 5% to € 14,672 million at the end of 2000 (as compare to € 13,963 at the end of 1999).

WestLB's operating profit after risk provisions/result of evaluation of € 529 million (U.S.\$ 492 million) decreased by 14% from the previous year. Interest surplus decreased by 12% (from € 2,010 million in 1999 to € 1,768 million in 2000). Commission surplus increased by 63% (from € 366 million in 1999 to € 597 million in 2000). Staff expenses increased by 17% to € 1,061 million (U.S.\$ 987 million) in 2000, with other administrative expenses showing an increase of 17% to € 936 million (U.S.\$ 871 million) in 2000. As a result, WestLB's operating result before risk provisions/result of evaluation of € 809 million in 2000 is increased by 4% (€ 776 million in 1999).

*United States and German Exchange Rate, and Generally Accepted Accounting Principles*

The financial information for the year ended December 31, 2000 is derived from the audited statements of WestLB, does not include the consolidated subsidiaries of the WestLB Group and has been prepared in accordance with accounting principles, practices, laws and regulations generally accepted in Germany. German accounting principles differ in certain respects from the accounting principles generally accepted in the United States.

Unless indicated otherwise, currency amounts are stated in Euro ("€" or "Euros") or United States dollars ("US\$" or "U.S. dollars"). Merely for the convenience of the reader, this summary contains translations of certain Euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollar amounts at the rate indicated. Unless otherwise indicated, the translations of Euro into U.S. dollars have been made at € 1.00 = US\$ 0.9305, which was the official (Frankfurt fixing) exchange rate on December 29, 2000, the last trading day in 2000. In certain instances, figures reflect the effect of rounding.



## PROPOSED FORM OF BOND COUNSEL OPINION

November 14, 2001

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 Bonds, Fiscal 2002 Series B (the "New Bonds"). The New Bonds are being issued as Senior Bonds pursuant to Chapter 16, Laws of New York, 1997, as amended (the "Act"), to an Indenture dated as of October 1, 1997, as amended and supplemented (the "Indenture"), between the Authority and State Street Bank and Trust Company, N.A., as Trustee, and to a Financing Agreement, dated October 1, 1997, as supplemented (the "Agreement"), between the Authority and The City of New York (the "City").

The New Bonds are dated, bear interest, mature, are subject to redemption and are secured as set forth in the Indenture. The Authority is authorized to issue additional Senior Bonds (together with such Senior Bonds heretofore issued and the New Bonds, the "Bonds") only on the terms and conditions set forth in the Indenture and all such Bonds shall with the New Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements in the Indenture. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

Based on the foregoing and our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion that:

1. The Authority is a public benefit corporation duly organized and existing under the laws of the State, and is authorized under the laws of the State, particularly the Act, to enter into the Indenture and the Agreement and to issue the New Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid with respect to all provisions thereof material to the subject matter of this opinion letter. 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 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.

2. 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 finance or refinance capital projects of the City.

3. The Personal Income Taxes are subject neither to appropriation by the City or the State, nor to prior claims in favor of other obligations or purposes of the City or the State except

as specified in §1313 of the Tax Law with respect to overpayments and the State's reasonable costs in administering, collecting and distributing such taxes. Alternative Revenues consisting of sales and compensating use taxes imposed by the State, if payable to the Authority pursuant to the Act, are subject to State appropriation and to a prior claim of the Municipal Assistance Corporation for The City of New York. Alternative Revenues consisting of sales and compensating use taxes imposed by the City, if payable to the Authority pursuant to the Act, are not subject to appropriation by the City or the State. Upon any failure of the State Legislature to make required appropriations for State debt obligations, the Tax Revenues would not constitute revenues applicable to the General Fund of the State; hence Article 7, Section 16 of the State Constitution does not mandate such money to be set apart by the State Comptroller for the payment of State obligations.

4. The Indenture (a) has been duly and lawfully authorized, executed and delivered by the Authority, (b) creates the valid pledge of Revenues and other collateral that it purports to create and (c) is a valid and binding agreement, enforceable in accordance with its terms, of the Authority, and to the extent specified in the Act, the State. The Act does not restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the taxes payable to the Authority pursuant to §1313 of the Tax Law, nor does it obligate the State to make any payments not specified in the Act or impose any taxes to satisfy the obligations of the Authority.

5. The lien of the Indenture on the Revenues for the security of the Bonds (and the other instruments to the extent specified in the Indenture) is, and pursuant to the covenant of the Authority in the Indenture will be, prior to all other liens thereon. The pledge of Revenues and other collateral made by the Authority in the Indenture is valid, binding and perfected without any physical delivery of the collateral or further act, and the lien thereof is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of such parties' notice thereof.

6. 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.

7. Pursuant to the Act, the State Comptroller shall pay the Tax Revenues to the Trustee, to be applied first pursuant to the Authority's contracts with the holders of its bonds and notes, then to pay the Authority's operating expenses, and then pursuant to the Authority's agreements with the City, which shall require the Authority to transfer the balance of such taxes to the City as frequently as practicable; all of which is provided for in the Indenture and the Agreement.

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

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

10. Except as provided in the following sentence, interest on the 3½% New Bonds due in 2003 and the New Bonds bearing interest at fixed rates that mature after 2003 (the "Tax-Exempt Bonds") is not includable in the gross income of the owners of the Tax-Exempt Bonds

for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the New Bonds in the event of a failure by the Authority or the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and their respective covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt Bonds for Federal income tax purposes on or after the date on which any action is taken under the Indenture or related proceedings upon the approval of counsel other than ourselves.

11. Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Tax Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such 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.

12. The excess, if any, of the amount payable at maturity of any maturity of the Tax-Exempt Bonds over the initial offering price of such Bonds to the public at which price a substantial amount of such maturity is sold represents original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Tax-Exempt Bonds. The Tax Code further provides that such original issue discount excluded as interest accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of the Tax-Exempt Bonds with original issue discount will be increased by the amount of such accrued interest.

13. 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.

14. 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 Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable and except as specifically stated above, and may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

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

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**Future Tax Secured Bonds  
Fiscal 2002 Series B  
\$200,000,000  
Taxable Adjustable Rate Bonds  
\$955,000  
Taxable Fixed Rate Bonds**

**OFFERING CIRCULAR**

November 1, 2001

50 B



**New York City Transitional Finance Authority  
Future Tax Secured Bonds  
Fiscal 2002 Series B  
\$200,000,000  
Taxable Adjustable Rate Bonds**

**Supplement to Offering Circular  
November 14, 2001**

The Adjustable Rate Bonds shall bear interest at Weekly Rates from their date of issuance and are subject to Conversion to other Rate Periods as described in the Offering Circular dated November 1, 2001.