

In the opinion of Bond Counsel, interest on the Series 3 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 Series 3 Bonds will not be includable in the gross income of the owners thereof for Federal income tax purposes. See "SECTION III: OTHER INFORMATION—TAX MATTERS" herein for further information.



**New York City Recovery Bonds
Fiscal 2003 Series 3
\$883,200,000 Adjustable Rate Bonds
Subseries 3B through Subseries 3H**

Dated: Date of Delivery

Due: As shown on inside cover

The New York City Recovery Bonds, Fiscal 2003 Series 3 (the "Series 3 Bonds") are being issued by the New York City Transitional Finance Authority (the "Authority") pursuant to Chapter 16 of the Laws of 1997 of the State of New York, as amended (the "Act"), and an Indenture, dated as of October 1, 1997, as amended and supplemented (the "Indenture"), by and between the Authority and State Street Bank and Trust Company, N.A., as trustee (the "Trustee").

Interest on and principal of the Series 3 Bonds are payable from the Revenues of the Authority subordinate to Debt Service and operating expenses of the Authority. See "Section II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS."

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

Payment of the Purchase Price on the Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the Liquidity Facilities described herein provided severally by the New York State Common Retirement Fund and The Bank of New York, representing separate obligations of the respective Liquidity Providers in respect of the applicable Subseries of the Adjustable Rate Bonds as shown on the inside cover.

THE BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A LIEN ON THE REVENUES OF THE AUTHORITY AND THE RECOVERY ACCOUNT 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 Adjustable Rate Bonds are being offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality of the Adjustable Rate 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 Underwriters by their counsel, Clifford Chance US LLP, New York, New York. It is expected that the Adjustable Rate Bonds will be available for delivery to DTC in New York, New York, on or about October 1, 2002.

**Lehman Brothers Inc.
Remarketing Agent for
Subseries 3B Bonds**

**Merrill Lynch & Co.
Remarketing Agent for
Subseries 3C and 3D Bonds**

**JPMorgan
Remarketing Agent for
Subseries 3E and 3F Bonds**

**Morgan Stanley
Remarketing Agent for
Subseries 3G and 3H Bonds**

\$883,200,000
New York City Transitional Finance Authority
New York City Recovery Bonds
Fiscal 2003 Series 3
Adjustable Rate Bonds
Subseries 3B through Subseries 3H
Price: 100%
Due: November 1, 2022

Subseries 3B Bonds (1)	Subseries 3C Bonds (2)	Subseries 3D Bonds (3)	Subseries 3E Bonds (4)	Subseries 3F Bonds (5)	Subseries 3G Bonds (6)	Subseries 3H Bonds (7)
Principal Amount	Principal Amount	Principal Amount	Principal Amount	Principal Amount	Principal Amount	Principal Amount
\$220,800,000(t)	\$103,400,000(t)	\$117,400,000(t)	\$142,400,000(t)	\$78,400,000(t)	\$120,800,000(t)	\$100,000,000(t)

(t) Term Bond.

- (1) Adjustable Rate Bonds. Lehman Brothers Inc. is the Remarketing Agent for the Subseries 3B Bonds, which initially will be in the Daily Rate Mode, supported by a Liquidity Facility provided by The Bank of New York which is scheduled to terminate on August 1, 2005.
- (2) Adjustable Rate Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Remarketing Agent for the Subseries 3C Bonds, which initially will be in the Weekly Rate Mode, supported by a Liquidity Facility provided by The Bank of New York which is scheduled to terminate on August 1, 2005.
- (3) Adjustable Rate Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Remarketing Agent for the Subseries 3D Bonds, which initially will be in the Weekly Rate Mode, supported by a Liquidity Facility provided by the New York State Common Retirement Fund which is scheduled to terminate on August 1, 2005.
- (4) Adjustable Rate Bonds. JP Morgan Securities Inc. is the Remarketing Agent for the Subseries 3E Bonds, which initially will be in the Daily Rate Mode, supported by a Liquidity Facility provided by The Bank of New York which is scheduled to terminate on August 1, 2005.
- (5) Adjustable Rate Bonds. JP Morgan Securities Inc. is the Remarketing Agent for the Subseries 3F Bonds, which initially will be in the Daily Rate Mode, supported by a Liquidity Facility provided by The Bank of New York which is scheduled to terminate on August 1, 2005.
- (6) Adjustable Rate Bonds. Morgan Stanley & Co. Incorporated is the Remarketing Agent for the Subseries 3G Bonds, which initially will be in the Weekly Rate Mode, supported by a Liquidity Facility provided by The Bank of New York which is scheduled to terminate on August 1, 2005.
- (7) Adjustable Rate Bonds. Morgan Stanley & Co. Incorporated is the Remarketing Agent for the Subseries 3H Bonds which initially will be in the Daily Rate Mode, supported by a Liquidity Facility provided by The Bank of New York which is scheduled to terminate on August 1, 2005.

**RATE PERIOD TABLE
FOR TAX-EXEMPT 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 ADJUSTABLE RATE BONDS" for a description of the Adjustable Rate Bonds.

* In an MMMR Period exceeding six months, interest is also payable on the first Business Day of the sixth calendar month, and the Record Date therefor is the fifteenth day of the calendar month preceding such Interest Payment Date.

WHILE THE SERIES 3 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 ADJUSTABLE RATE BONDS BEARING AUCTION RATES NOR DOES IT DESCRIBE ADJUSTABLE RATE BONDS HELD BY A LIQUIDITY PROVIDER OR BY ANY REGISTERED OWNER OTHER THAN DTC.

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

The information in Appendix B has been provided by the Liquidity Providers and has not been independently confirmed or verified by the Underwriters or the Authority. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material changes in such information subsequent to the date hereof, or that such information incorporated herein by reference is correct as of any time subsequent to its date.

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

If and when included in this Offering Circular, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Offering Circular. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

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

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**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 \$883,200,000 Adjustable Rate Bonds (the "Adjustable Rate Bonds") of the Authority's New York City Recovery Bonds Fiscal 2003 Series 3. The Adjustable Rate Bonds, together with approximately \$150,000,000 Fixed Rate Bonds, not offered hereby, are herein called the "Series 3 Bonds." The Authority is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the "State") created by Chapter 16 of the Laws of 1997, (as amended, the "Act"). Capitalized terms not otherwise defined in this Offering Circular are defined in "Appendix A—Definitions."

INTRODUCTORY STATEMENT

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

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

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

SECTION I: INCLUSION BY SPECIFIC REFERENCE

Portions of the Authority's Preliminary Offering Circular, dated September 20, 2002, delivered herewith and relating to the fixed rate portion of the Series 3 Bonds, and the Authority's Offering Circular, to be dated on or about September 27, 2002, relating to such bonds, superceding the Preliminary Offering Circular, 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 INFORMATION
SECTION V:	THE AUTHORITY
SECTION VI:	LITIGATION
SECTION VIII:	APPROVAL OF LEGALITY
SECTION IX:	FINANCIAL ADVISOR
SECTION X:	FINANCIAL STATEMENTS

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

SECTION II: THE 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 thereof, (ii) bearing a Semiannual Rate, a Term Rate or a Fixed Rate and Stepped Coupon Bonds, shall be fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and (iii) bearing Auction Rates shall be fully registered bonds in the denomination of \$25,000 or any integral multiple thereof unless modified by agreement or Officer's Certificate (in each case, an "Authorized Denomination"). Each Subseries of the Adjustable Rate Bonds shall bear interest from its date of issuance as described on the inside cover page hereof and as described below in "Interest on Adjustable Rate Bonds." The rate of interest for any Rate Period shall be determined as provided in the Indenture and each determination of rate or period shall be conclusive and binding upon the Remarketing Agent, the Authority, the Liquidity Providers, the Trustee, the Paying Agent, the Tender Agent and the Bondholders. All or a portion of the Adjustable Rate Bonds are subject to Conversion to or from Stepped Coupons, Fixed Rates or 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 applicable Liquidity Provider, the Trustee, the Paying Agent, the Tender Agent and the Bondholders.

Use of Proceeds

The proceeds from the sale of the Adjustable Rate Bonds will be used to pay a portion of the Authority's Fiscal 2002 Series A New York City Recovery Notes, which were issued to provide funds to pay Recovery Costs.

Other Series

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

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, commencing May 1, 2003, 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 on

Stepped-Coupon Bonds or at a Fixed Rate or in any case not otherwise specified herein; (d) the first Business Day of the sixth month in the case of an MMMR Period exceeding six months and the first Business Day following the period during which a specific Money Market Municipal Rate applies (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.

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

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 delivery date of the New Bonds or the effective date of a Conversion to such Variable Rate Period; and (b) thereafter (i) on each Business Day following such delivery or Conversion, in the case of Daily Rate Periods, (ii) on Wednesday of each week commencing after such delivery or 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) as of such day.

Notice of each Variable Rate shall be given by the applicable Remarketing Agent by telephone confirmed in writing to the Authority, the Trustee, the applicable Liquidity Provider, 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 such 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 such 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 applicable 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 notice of which 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 applicable 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 such 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 such 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 applicable Remarketing Agent prior to 10:00 a.m., 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 a Favorable Opinion of Bond Counsel.

Notice of each Money Market Municipal Rate and MMMR Period for each Adjustable Rate Bond shall be given by the applicable Remarketing Agent to the Authority, the applicable Liquidity Provider, 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 applicable 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) as of such day.

Fixed Rates. The Fixed Rate to be effective to maturity (or prior redemption or purchase in lieu thereof) upon Conversion to such rate shall be determined by the applicable 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 such 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 on: if from a Fixed Rate or in the case of Conversion of Stepped-Coupon Bonds, a potential optional redemption date; to or from Auction Rates, 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, or from Daily or Weekly Rates as specified by Officer's Certificate; 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 applicable Remarketing Agent, and the applicable Liquidity Provider. 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 Bonds shall continue to bear interest as previously specified. 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, the Authority shall Convert to Auction Rates, Stepped Coupons or a Fixed Rate all 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) a Favorable Opinion of Bond Counsel and (b) in the case of Conversion to a Variable Rate or to the Money Market Mode, evidence that there is a Liquidity Facility complying with the Act and the Indenture that provides for coverage of principal of the Converted Bonds and 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 shall be subject to tender for purchase by the Tender Agent or a Liquidity Provider as described herein. In each case, such purchases shall be made at a purchase price (the "Purchase Price") equal to 100% of the principal amount to be purchased, plus all accrued and unpaid interest thereon to the date of purchase thereof (the "Purchase Date"), which principal and interest components shall be applied to the purchase of the rights to receive such principal and interest, when and as the same is or becomes due, from the Owners of such rights.

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 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 shall occur (a) on the commencement date of an MMMR 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—Mandatory Tender to Liquidity Provider.”

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

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.

Optional Tender

So long as no Liquidity Condition exists, the Adjustable Rate Bonds bearing interest at a Variable Rate (other than a Term Rate) are subject to tender for purchase at the applicable Purchase Price by the Tender Agent at the option of the Bondholders as provided therein and herein.

Notice of Optional Tender. Each notice of Optional Tender:

- (i) shall, in a Daily Rate Period, be given telephonically to the Tender Agent not later than 9:00 a.m., New York City time, on the Purchase Date;
- (ii) shall, in a Weekly or Monthly Rate Period, be given in writing not later than 5:00 p.m. on any Business Day not less than seven days prior to the Purchase Date; and
- (iii) shall, in a Quarterly or Semiannual Rate Period, be given in writing not later than 5:00 p.m. on any Business Day not less than 15 days prior to the Purchase Date.

Remarketing of Tendered Bonds. The applicable Remarketing Agent shall, subject to the provisions of the Remarketing Agreement, offer for sale and use its best efforts to find purchasers (at par plus accrued interest, if any) for all Bonds or portions thereof properly tendered. Bonds shall not be remarketed to the Authority or any affiliate thereof except for cancellation. The applicable Remarketing Agent shall cause the purchase price to be paid to the Tender Agent in immediately available funds at or before 2:00 p.m., New York City time, on the Purchase Date. Notwithstanding the foregoing, such Remarketing Agent shall not offer for sale any Bond as to which a notice of redemption or mandatory tender has been given unless such Remarketing Agent has advised the person to whom the offer is made of the notice of redemption or mandatory tender.

Purchase of Tendered Bonds. By 3:00 p.m., New York City time, on the Purchase Date the Tender Agent shall pay the purchase price of such Bonds to the owners thereof at its principal office or by bank wire transfer. Such payments of purchase price shall be made in immediately available funds. The Tender Agent shall apply in order (A) money paid to it by the new purchaser of the Tendered Bonds as proceeds of the remarketing of such Bonds by the applicable Remarketing Agent, (B) money made available for such purpose by the Authority and (C) money drawn on the applicable Liquidity Provider. If sufficient funds are not available for the purchase of all Tendered Bonds, no purchase shall be consummated.

Mandatory Tender

So long as no Liquidity Condition exists, the Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate are subject to mandatory tender for purchase described herein; and the Holders of mandatorily tendered Bonds may not elect to retain such Bonds.

Mandatory Tender upon Conversion. The Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall be subject to mandatory tender for purchase by the Tender Agent on each Conversion Date for such Bonds at the applicable Purchase Price. Written notice of mandatory tender shall be given to Bondowners. Upon withdrawal of the Authority's election to Convert Bonds or failure to meet the conditions thereto, the Tender Agent shall give Written Notice thereof to the Holders of such Bonds. Unless this condition is waived by the applicable Liquidity Provider, the Authority shall not convert Bonds to a Fixed Rate unless a firm commitment for their purchase, subject only to customary conditions, is in effect at the last date the election to convert may be withdrawn.

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

Mandatory Tender to Liquidity Provider. So long as no Liquidity Condition exists, the Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate are subject to mandatory tender for purchase by the applicable Liquidity Provider pursuant to the applicable Liquidity Facility, on the Purchase Date following a notice of bank purchase (the "Notice") from the Tender Agent to such Liquidity Provider, at the applicable Purchase Price. If (x) on the 15th day prior to the Expiration Date of a 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 with Rating Confirmation, of the Liquidity Facility or (y) the Tender Agent receives a mandatory tender notice from the applicable Liquidity Provider pursuant to the Liquidity Facility, the Tender Agent shall deliver the Notice on that day (or, at the latest, by 12:30 p.m. on the next Business Day); and the Tender Agent shall promptly notify the registered owners of the Purchase Date (which shall be the last Business Day on or prior to the date of expiration or termination of such Liquidity Provider's commitment); that such Adjustable Rate Bonds shall be required to be surrendered to the Tender Agent on the Purchase Date; that if any such Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon the deposit by the Tender Agent of sufficient money in a special account for the payment of the Purchase Price of such Bond, interest on such Bond shall cease to accrue to the former owner and such Bond shall be deemed purchased by such Liquidity Provider. So long as no Liquidity Condition exists, such Liquidity Provider shall purchase each Adjustable Rate Bond mandatorily tendered pursuant to this paragraph at the Purchase Price (whether or not actually tendered). If Notice is not given as aforesaid, then following expiration or termination of such Liquidity Provider's commitment, such Adjustable Rate Bonds 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).

Purchase; Undelivered Bonds. On the Purchase Date designated for any Adjustable Rate Bond, if sufficient money for the payment of the purchase price of such Bond is held by the Tender Agent, interest on such Bond shall cease to accrue to the former owner, such Bond shall be deemed to have been purchased pursuant hereto, irrespective of whether or not such Bond shall have been presented to the

Mandatory Tender

So long as no Liquidity Condition exists, the Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate are subject to mandatory tender for purchase described herein; and the Holders of mandatorily tendered Bonds may not elect to retain such Bonds.

Mandatory Tender upon Conversion. The Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall be subject to mandatory tender for purchase by the Tender Agent on each Conversion Date for such Bonds at the applicable Purchase Price. Written notice of mandatory tender shall be given to Bondowners. Upon withdrawal of the Authority's election to Convert Bonds or failure to meet the conditions thereto, the Tender Agent shall give Written Notice thereof to the Holders of such Bonds. Unless this condition is waived by the applicable Liquidity Provider, the Authority shall not convert Bonds to a Fixed Rate unless a firm commitment for their purchase, subject only to customary conditions, is in effect at the last date the election to convert may be withdrawn.

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

Mandatory Tender to Liquidity Provider. So long as no Liquidity Condition exists, the Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate are subject to mandatory tender for purchase by the applicable Liquidity Provider pursuant to the applicable Liquidity Facility, on the Purchase Date following a notice of bank purchase (the "Notice") from the Tender Agent to such Liquidity Provider, at the applicable Purchase Price. If (x) on the 15th day prior to the Expiration Date of a 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 with Rating Confirmation, of the Liquidity Facility or (y) the Tender Agent receives a mandatory tender notice from the applicable Liquidity Provider pursuant to the Liquidity Facility, the Tender Agent shall deliver the Notice on that day (or, at the latest, by 12:30 p.m. on the next Business Day); and the Tender Agent shall promptly notify the registered owners of the Purchase Date (which shall be the last Business Day on or prior to the date of expiration or termination of such Liquidity Provider's commitment); that such Adjustable Rate Bonds shall be required to be surrendered to the Tender Agent on the Purchase Date; that if any such Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon the deposit by the Tender Agent of sufficient money in a special account for the payment of the Purchase Price of such Bond, interest on such Bond shall cease to accrue to the former owner and such Bond shall be deemed purchased by such Liquidity Provider. So long as no Liquidity Condition exists, such Liquidity Provider shall purchase each Adjustable Rate Bond mandatorily tendered pursuant to this paragraph at the Purchase Price (whether or not actually tendered). If Notice is not given as aforesaid, then following expiration or termination of such Liquidity Provider's commitment, such Adjustable Rate Bonds 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).

Purchase; Undelivered Bonds. On the Purchase Date designated for any Adjustable Rate Bond, if sufficient money for the payment of the purchase price of such Bond is held by the Tender Agent, interest on such Bond shall cease to accrue to the former owner, such Bond shall be deemed to have been purchased pursuant hereto, irrespective of whether or not such Bond shall have been presented to the

Tender Agent, and the former owners of such Bond or interests therein shall have no claim thereunder or otherwise for any amount other than to receive the Purchase Price therefor.

Inadequate Funds for Tenders; Loss of Liquidity. If either the funds available for purchases of Adjustable Rate Bonds are inadequate for the purchase of all such Bonds tendered on any Purchase Date or a Liquidity Condition shall exist, then all such Adjustable Rate Bonds theretofore subject to tender for purchase shall bear interest from such date at the highest rate provided by law for interest on accrued claims against municipalities as of such date or as Bank Bonds, if applicable, and shall no longer be subject to optional or mandatory tender for purchase (except upon Conversion); and the Trustee or Tender Agent shall immediately: (i) return all such tendered Bonds to the owners thereof; (ii) return all money received for the purchase of such Bonds to the persons providing such money; and (iii) give Written Notice to all Adjustable Rate Bondowners. 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.

Liquidity Facilities

So long as such Bonds are subject to tender by the holders thereof for purchase, the Authority shall keep in effect one or more liquidity facility agreements for the benefit of the Bondowners of the Adjustable Rate Bonds, which shall require a financially responsible party or parties other than the Authority to purchase all or any portion of such Bonds tendered by the holders thereof for repurchase prior to the final maturity of such Bonds. A financially responsible party or parties, for the purposes of this paragraph, shall mean a person or persons meeting any applicable statutory requirements and determined by the Directors of the Authority to have sufficient net worth and liquidity to purchase and pay for on a timely basis all of such Bonds which may be tendered for repurchase by the holders thereof.

On or before the date of substitution of a new liquidity facility agreement for the Liquidity Facility previously in effect, the Authority shall either cause a mandatory tender or obtain Rating Confirmation from each Rating Agency. The Authority shall give Written Notice to the Trustee, the applicable Liquidity Provider, the Remarketing Agent and each affected Bondholder at least five days prior to any substitution.

Liquidity Conditions

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

Upon the occurrence of a Liquidity Condition, the applicable Liquidity Provider's obligation under the applicable Liquidity Facility to purchase the related Bonds shall immediately terminate or be suspended without notice or demand to any person, and thereafter such Liquidity Provider shall be under no obligation to purchase such Bonds (nor shall such Bonds be subject to optional or mandatory tender for purchase). Promptly upon the occurrence of such Liquidity Condition, such Liquidity Provider shall give written notice of the same to the Authority, the Tender Agent, the Trustee and the applicable Remarketing Agent and the Tender Agent shall promptly relay such notice to the Bondholders upon receipt, but such Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination or suspension of its obligation to purchase such Bonds.

Miscellaneous

Defeasance. For the purpose of determining whether Adjustable Rate Bonds shall be deemed to have been defeased, the interest to come due on such Adjustable Rate Bonds shall be calculated at the maximum applicable rate; and if, as a result of such Adjustable Rate Bonds having borne interest at less than the maximum rate for any period, the total amount on deposit for the payment of interest on such Adjustable Rate Bonds exceeds the total amount required, the balance shall be paid to the Authority. Prior to defeasing any Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate, the Authority shall satisfy any related obligations to the applicable Liquidity Provider, provide to each Rating Agency a cash flow statement demonstrating compliance with the conditions to defeasance and obtain Rating Confirmation from each of them.

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

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

Optional Redemption

Adjustable Rate Bonds bearing interest at Variable Rates or Money Market Municipal Rates are subject to redemption prior to maturity at the option of the Authority, in whole or in part, on any potential Conversion Date following their defeasance, on 30 days' notice at the principal amount thereof plus any interest accrued and unpaid thereon. The Authority may select amounts, rates and maturities of Bonds to be redeemed in its sole discretion except that Adjustable Rate Bonds shall be selected for redemption: (i) first, from Adjustable Rate Bonds, if any, which are held by or for a Liquidity Provider, (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.

Mandatory Redemption

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

Subseries 3B		Subseries 3C	
<u>November 1</u>	<u>Amount</u>	<u>November 1</u>	<u>Amount</u>
2008	10,400,000	2008	4,900,000
2009	10,900,000	2009	5,100,000
2010	11,500,000	2010	5,400,000
2011	12,000,000	2011	5,600,000
2012	12,500,000	2012	5,900,000
2013	13,200,000	2013	6,200,000
2014	13,700,000	2014	6,500,000

Subseries 3B	
<u>November 1</u>	<u>Amount</u>
2015	14,500,000
2016	15,100,000
2017	15,800,000
2018	16,600,000
2019	17,400,000
2020	18,200,000
2021	19,100,000
2022	19,900,000*

Subseries 3C	
<u>November 1</u>	<u>Amount</u>
2015	6,700,000
2016	7,100,000
2017	7,400,000
2018	7,700,000
2019	8,100,000
2020	8,500,000
2021	8,900,000
2022	9,400,000*

Subseries 3D	
<u>November 1</u>	<u>Amount</u>
2008	5,500,000
2009	5,800,000
2010	6,100,000
2011	6,400,000
2012	6,600,000
2013	7,000,000
2014	7,300,000
2015	7,700,000
2016	8,100,000
2017	8,400,000
2018	8,800,000
2019	9,300,000
2020	9,700,000
2021	10,100,000
2022	10,600,000*

Subseries 3E	
<u>November 1</u>	<u>Amount</u>
2008	6,900,000
2009	7,100,000
2010	7,400,000
2011	7,700,000
2012	8,100,000
2013	8,400,000
2014	8,900,000
2015	9,300,000
2016	9,700,000
2017	10,200,000
2018	10,700,000
2019	11,200,000
2020	11,700,000
2021	12,300,000
2022	12,800,000*

Subseries 3F	
<u>November 1</u>	<u>Amount</u>
2008	3,600,000
2009	3,800,000
2010	4,000,000
2011	4,300,000
2012	4,500,000
2013	4,700,000
2014	4,900,000
2015	5,100,000
2016	5,400,000
2017	5,600,000
2018	5,900,000
2019	6,200,000
2020	6,500,000
2021	6,800,000
2022	7,100,000*

Subseries 3G	
<u>November 1</u>	<u>Amount</u>
2008	5,700,000
2009	6,000,000
2010	6,300,000
2011	6,600,000
2012	6,800,000
2013	7,200,000
2014	7,600,000
2015	7,900,000
2016	8,300,000
2017	8,600,000
2018	9,000,000
2019	9,500,000
2020	10,000,000
2021	10,400,000
2022	10,900,000*

*Stated Maturity

Subseries 3H	
<u>November 1</u>	<u>Amount</u>
2008	4,700,000
2009	4,900,000
2010	5,200,000
2011	5,400,000
2012	5,700,000
2013	6,000,000
2014	6,200,000
2015	6,500,000
2016	6,900,000
2017	7,200,000
2018	7,500,000
2019	7,900,000
2020	8,200,000
2021	8,600,000
2022	9,100,000*

*Stated Maturity

At the option of the Authority, there shall be applied to or credited against any of the required amounts the principal amount of any such 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.

Initial Liquidity Facilities

The initial Liquidity Facilities for the Adjustable Rate Bonds are listed on the inside cover hereof. The obligations of each Liquidity Provider are several. Each Liquidity Provider's commitment under its Liquidity Facility in the initial mode will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Adjustable Rate Bonds at an assumed rate of 9%.

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

Each of the following events may cause the immediate suspension or termination of a particular Liquidity Provider's obligation to purchase Adjustable Rate Bonds under its Liquidity Facility (each a "Liquidity Condition"): (i) failure by the Authority to pay when due any interest, principal or redemption premium on any Bond of Subseries 3B through 3H; (ii) insolvency of the Authority (Subseries 3B through 3H); (iii) breach, amendment or repeal of the State Covenant or the State's tax contract in the Act (Subseries 3D); (iv) amendment or repeal by the State of the law obligating the State to pay over to the Authority Personal Income Taxes or Sales Taxes in accordance with the terms of such law as now in effect (Subseries 3C, 3D and 3E); (v) delivery by the Authority of an officer's certificate showing estimated Revenues to be less than 150% of Debt Service (Subseries 3C, 3D and 3E); (vi) enactment by the State of a moratorium or other similar law affecting the bonds or notes of the Authority (Subseries 3C, 3D and 3E); (vii) a final, nonappealable judgment by a court of competent jurisdiction or initiation by the Authority of 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 (Subseries 3C, 3D and 3E); (viii) Moody's and S&P rate the unenhanced debt obligations of the Authority secured by a lien on the

Revenues below Investment Grade or either Moody's or S&P withdraws or suspends its rating (Subseries 3D); (ix) each of S&P, Fitch and Moody's shall reduce the Authority's long-term debt or claims-paying ability below BBB- (or its equivalent rating), in the case of S&P, BBB- (or its equivalent rating), in the case of Fitch and Baa3 (or its equivalent rating), in the case of Moody's (Subseries 3C and 3E); or (x) the Authority's failure to pay when due any interest, principal or redemption premium on any of its notes or bonds (Subseries 3B through 3H).

The preceding is a summary of certain provisions expected to be included in the Liquidity Facilities 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 Liquidity Providers is included herein as Appendix B hereto. Neither the Authority nor the Underwriters make any representation with respect to the information in Appendix B hereto.

Book-Entry Only System

Beneficial ownership interests in the Adjustable Rate Bonds will initially be available in book-entry-only form, in the principal amount of \$100,000 or integral multiples of \$5,000 in excess thereof. Purchasers of beneficial ownership interests in the Series 3 Bonds will not receive certificates representing their interests in the Series 3 Bonds purchased.

DTC, as an automated clearinghouse for securities transactions, will act as securities depository for the Series 3 Bonds. The Series 3 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One or more fully-registered bond certificates will be issued for each principal amount of Series 3 Bonds maturing on a specified date and bearing interest at a specified interest rate, each in the aggregate principal amount of such quantity of Series 3 Bonds 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 sales and other securities transactions in deposited securities through electronic computerized book-entry changes in Participants' accounts. This eliminates 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 a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., 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, trust companies and clearing corporations 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 Series 3 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 3 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 3 Bonds ("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 Series 3 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 Series 3 Bonds, except in the event that use of the book-entry system for the Series 3 Bonds is discontinued.

To facilitate subsequent transfers, all Series 3 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Series 3 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 Series 3 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 3 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 DTC. If less than all of the Series 3 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 3 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 Series 3 Bonds, as appropriate, are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 3 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.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Series 3 Bond is held in book-entry form, such Series 3 Bond need not be delivered in connection with any optional or mandatory tender of Series 3 Bonds described under "DESCRIPTION OF THE ADJUSTABLE RATE BONDS." In such case, payment of the Purchase Price in connection with such tender shall be

made to the registered owner of such Series 3 Bonds on the date designated for such payment, without further action by the Beneficial Owner who delivered notice, and, notwithstanding the description of optional and mandatory tender of Series 3 Bonds contained under "DESCRIPTION OF THE ADJUSTABLE RATE BONDS," transfer of beneficial ownership shall be made in accordance with the procedures of DTC.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 3 Bonds registered in its name for the purpose of payment of the principal of or interest on the Series 3 Bonds, giving any notice permitted or required to be given to registered owners under the Indenture registering the transfer of the Series 3 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 Series 3 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 Series 3 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. The Trustee will forward interest and principal payments 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 SERIES 3 BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR BONDHOLDERS OF THE SERIES 3 BONDS (OTHER THAN UNDER "SECTION III: TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

For every transfer and exchange of beneficial ownership of the Series 3 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 Series 3 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 Series 3 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 Series 3 Bonds may thereafter be exchanged 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 Sidley Austin Brown & Wood LLP, New York, New York, as Bond Counsel, except as provided in the following sentence, interest on the Series 3 Bonds will not be includable in the gross income of the owners of the Series 3 Bonds for purposes of Federal income taxation under existing law. Interest on the Series 3 Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 3 Bonds in the event of a failure by the Authority or the City to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and their respective covenants regarding use, expenditure and investment of the proceeds of the Series 3 Bonds and the timely payment of certain investment earnings to the United States Treasury; and no opinion is rendered by Sidley Austin Brown & Wood LLP as to the exclusion from gross income of the interest on the Series 3 Bonds for Federal income tax purposes on or after the date on which any action is taken under the Series 3 Bonds proceedings upon the approval of counsel other than such firm.

In the opinion of Bond Counsel, interest on the Series 3 Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City. In the opinion of Bond Counsel, interest on the Series 3 Bonds will not be a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Sidley Austin Brown & Wood LLP renders no opinion, as a result of ownership of such Series 3 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 Series 3 Bonds owned by a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability.

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 3 Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Series 3 Bonds will not have an adverse effect on the status of the Notes. Legislative or regulatory actions and proposals may also affect the economic value of tax exemption or the market price of the Series 3 Bonds.

Underwriting

Subseries 3B through 3H of the Series 3 Bonds are being purchased for reoffering by the Underwriters: Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc. and Morgan Stanley & Co. Incorporated. The Underwriters have agreed, severally, subject to certain conditions, to purchase such Series 3 Bonds from the Authority at an aggregate underwriters' discount of \$118,365.36 and to make an initial public offering of such Series 3 Bonds at par. The Underwriters will be obligated to purchase all such Series 3 Bonds if any such Series 3 Bonds are purchased.

The Series 3 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.

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 Series 3 Bonds are fully set forth in the Indenture. Neither any advertisement of the Series 3 Bonds nor this Offering Circular is to be construed as a contract with purchasers of the Series 3 Bonds.

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

APPENDIX A

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

“Business Day” means a day (a) other than a day on which commercial banks in The City of New York, New York, and such other cities as may be specified in the Liquidity Facility, are required or authorized by law or executive order to close and (b) on which the City and the New York Stock Exchange are not closed.

“Conversion” means a change in the type of interest Rate Period applicable to the Adjustable Rate Bonds; 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. A change in the rate of interest borne by Stepped-Coupon Bonds is not a Conversion.

“Direct Obligations” means non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself, non-callable “CATS,” non-callable “TIGRS” and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form.

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

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

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

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

“Money Market Municipal Rate” or **“MMMR”** means the interest rate that may be separately determined for each Adjustable Rate Bond. The MMMR shall not exceed 9% per annum.

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

“Rating Agency” means each of Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Ratings Services (“S&P”) and Fitch, Inc. (“Fitch”), that has a rating in effect, at the request of the Authority, for the Adjustable Rate Bonds.

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

“Rating Confirmation” means a written notice from each Rating Agency that its rating on the Adjustable Rate Bonds will not be suspended, withdrawn or reduced in Rating Category as a result of action proposed to be taken under the Indenture.

“Record Date” means with respect to each Interest Payment Date (a) during a Daily, Weekly, Monthly or Quarterly Rate Period, the last Business Day of the calendar month next preceding such Interest Payment Date; (b) during a Semiannual or Term Rate Period, or for the Interest Payment Date on the First Business Day of the sixth calendar month in an MMMR Period exceeding six months, the fifteenth day of the calendar month next preceding such Interest Payment Date; and (c) for Stepped-Coupon Bonds or during a Fixed Rate Period, the fifteenth day of the calendar month preceding the Interest Payment Date.

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

“Tender Agent” means State Street Bank and Trust Company, N.A., New York, New York, and its permitted successors and assigns.

“Tendered Bonds” means all Adjustable Rate Bonds tendered or deemed tendered for optional or mandatory purchase.

“Variable Rate” means, as the context requires, the Daily, Weekly, Monthly, Quarterly, Semiannual or Term Rate applicable to the Adjustable Rate Bonds. The Variable Rate shall not exceed 9% per annum.

NEW YORK STATE COMMON RETIREMENT FUND

The Comptroller of the State of New York serves as sole trustee of the Common Retirement Fund (the "CRF") and administrative head of the New York State and Local Employees' Retirement System ("ERS"), the New York State and Local Police and Fire Retirement System ("PFRS"), and the Public Employees' Group Life Insurance Plan ("GLIP"). GLIP provides death benefits in the form of life insurance. ERS and PFRS are cost-sharing multiple-employer defined benefit pension plans. These entities are collectively referred to as the "Systems." All assets of the Systems are held in the CRF which was established to hold all assets and income allocated to the Systems.

The CRF was created by and is administered under the provisions of the New York State Retirement and Social Security Law. Once a public employer elects to participate in the Systems, the election is irrevocable. Under the New York State Constitution, plan benefits cannot be diminished or impaired with respect to any current members of the Retirement Systems. Pension plan benefit reductions can only apply to future members and can be effected only by an act of the State Legislature.

Generally, members of the Systems are employees and officers of New York State and of its municipalities, other than New York City. Employees of non-State participating employers constituted approximately 63% for ERS and 84% for PFRS of the March 31, 2002 Systems' membership.

At March 31, 2002, there were 2,922 participating government employers in the Systems, including the State. Participating employers are required under the New York State Retirement and Social Security Law to contribute annually to the Systems.

The number of members and benefit recipients as of March 31, 2002, the date of the most recent actuarial valuation, were:

	ERS	PFRS	Total
Retirees and beneficiaries currently receiving benefits	280,997	25,607	306,604
Terminated plan members entitled to benefits, but not yet receiving them	49,447	1,819	51,266
Active plan members			
Active Billables	512,209	32,321	544,530
Inactive non-vested	40,772	1,328	42,100
SUBTOTAL	552,981	33,649	586,630
Grand Total	883,425	61,075	944,500

At March 31, 2002 the total net assets held in trust by the CRF for pension benefits was approximately \$112.7 billion.

Investments held by the CRF are reported at fair value. Stocks traded on a national or international exchange are reported at market value at current exchange rates. Bonds are reported at market values obtained from independent pricing services. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals made every three years. Investments that do not have an established market are reported at estimated fair value. The Fund trades in foreign exchange contracts in the normal course of its investing activities in order to manage exposure to market risks. Such contracts, which are generally for a period of less than one year, are used to

purchase and sell foreign currency at a guaranteed future price. These contracts are recorded at market value using foreign currency exchange rates.

Investments are held by the CRF or its custodial agent in the name of the State Comptroller as trustee. Investments of the Fund are categorized by the level of custodial credit risk. All investments of the CRF, other than those that can not be categorized, are designated as Category 1, the lowest risk, which includes investments that are insured or registered or for which the securities are held by the CRF or its agent in CRF's name.

The funding of the Systems is accomplished through member and employer contributions and the investment earnings on these contributions, according to the New York State Retirement and Social Security Law. The aggregate funding method is used by the Systems.

On March 31, 2002, the CRF had approximately \$1.4 billion in short-term, liquid investments. These investments consist of high quality, liquid, short term securities such as asset-backed commercial paper and unsecured commercial paper with staggered maturities. The CRF's current maximum authorized commitment under standby bond purchase agreements is \$1 billion. In addition, the CRF's bond fund portfolio, valued at \$31.8 billion as of the latest fiscal year-end, consists of government and corporate bonds, including highly liquid treasury and federal agency securities in the amount of approximately \$19 billion. This segment, as is the case for the bond portfolio as a whole, serves as a source of ongoing cash flow through maturing investments as the portfolio is managed to achieve a duration and, to the extent possible, a cash matching strategy so that bonds are maturing on a regular basis. Moreover, the treasury and agency segment of the portfolio can be readily liquidated. The CRF has a short-term issuer rating of Prime-1 from Moody's Investors Service, Inc.

The CRF will provide without charge, upon request, a copy of the 2001 Annual Report and Supplement of the CRF containing its financial statements for the fiscal year ended March 31, 2001. The 2002 Annual Report and Supplement will be provided without charge, upon request, when they become available. Requests to the CRF for the Annual Report and Supplement should be delivered by mail to the New York State and Local Retirement Systems, Retirement Communications Office, 110 State Street, Albany, New York 12244 or by email at comnews@nyslrs.osc.state.ny.us. The most recent Annual Report and Supplement are also available on the Internet at www.osc.state.ny.us.

The CRF does not accept responsibility for any information contained in this Offering Circular other than the information contained in this Section relating to the CRF. The delivery of information relating to the CRF shall not create any implication that such information is correct as of any time subsequent to its date.

THE BANK OF NEW YORK

The Bank of New York (the “Bank”) is the principal subsidiary of The Bank of New York Company, Inc. (NYSE: BK), a financial holding company (the “Company”). The Company provides a complete range of banking and other financial services to corporations and individuals worldwide through its basic businesses, namely, Securities Servicing and Global Payment Services, Corporate Banking, BNY Asset Management and Private Client Services, Retail Banking, and Financial Market Services. Additional information on the Company is available at www.bankofny.com.

The Bank of New York was founded in 1784 by Alexander Hamilton and is the nation’s oldest bank. The Bank is a state chartered New York banking corporation and a member of the Federal Reserve System. Its business is subject to examination and regulation by federal and state banking authorities.

The Bank has long-term senior debt ratings of “AA-”/“Aa2” and short-term ratings of “A1+/P1” from Standard & Poor’s Ratings Services and Moody’s Investors Service, Inc., respectively.

The Bank of New York’s principal office is located at One Wall Street, New York, New York 10286. A copy of the most recent annual report and 10-K of the Company may be obtained from the Bank’s Public Relations Department, One Wall Street, 31st Floor, (212) 635-1569 or by visiting the Bank’s website.

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Proposed Form of Bond Counsel Opinion

October 1, 2002

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 \$1,000,000,000 New York City Recovery Bonds, Fiscal 2003 Series 3 (the "New Bonds"). The New Bonds are being issued as Recovery 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"). Terms not defined herein are used as defined in the Indenture.

The New Bonds are dated, bear interest, mature and are secured as set forth in the Indenture. The Authority has outstanding and may issue Senior Bonds to finance and refinance capital projects of the City, and has outstanding and may issue additional Recovery Bonds (including the New Bonds, the "Recovery Bonds" and, with the Senior Bonds, the "Bonds") to finance or refinance the City's costs related to or arising from the terrorist attack that occurred on September 11, 2001 ("Recovery Costs"), and all such Recovery Bonds shall be entitled to the equal benefit, protection and security of the Indenture, subordinate to Senior Debt Service, including the Authority's obligations on the Senior Bonds and Senior Agreements, and to operating expenses of the Authority. 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 sources and at the level of priority provided therefor in the Indenture. The Bonds do not constitute a debt of the State or the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority.
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 Recovery Bonds to finance or refinance Recovery Costs.

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

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. 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.

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

9. Except as provided in the following sentence, interest on the New Bonds is not includable in the gross income of the owners of the New Bonds for purposes of Federal income taxation under existing law. Interest on the New 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 New Bonds for Federal income tax purposes on or after the date on which any action is taken under the bond proceedings upon the approval of counsel other than ourselves.

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

11. 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 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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TABLE OF CONTENTS

	Page
INTRODUCTORY STATEMENT	1
SECTION I: INCLUSION BY SPECIFIC REFERENCE	1
SECTION II: THE ADJUSTABLE RATE BONDS	2
Use of Proceeds	2
Other Series	2
Interest on Adjustable Rate Bonds	2
Tender on Adjustable Rate Bonds	5
Optional Tender	6
Mandatory Tender	7
Liquidity Facilities	8
Liquidity Conditions	8
Miscellaneous	9
Optional Redemption	9
Mandatory Redemption	9
Initial Liquidity Facilities	11
Book-Entry Only System	12
SECTION III: OTHER INFORMATION	15
Tax Matters	15
Underwriting	15
Miscellaneous	16
APPENDIX A—ADJUSTABLE RATE BONDS— DEFINITIONS	A-1
APPENDIX B—LIQUIDITY PROVIDERS	B-1
APPENDIX C—PROPOSED FORM OF BOND COUNSEL OPINION	C-1



\$883,200,000
New York City Recovery Bonds
Fiscal 2003 Series 3
Subseries 3B through Subseries 3H
(Adjustable Rate Bonds)

OFFERING CIRCULAR

September 24, 2002
