NEW ISSUE

In the opinion of Bond Counsel, interest on the Series 2011 S-1 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 Tax-Exempt Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes. Interest on the Build America Bonds will be includable in the gross income of the owners thereof for federal income tax purposes. See "SECTION VII: TAX MATTERS" herein for further information.

NYC TFA Building Aid Revenue Bonds

$350,000,000
New York City Transitional Finance Authority
Building Aid Revenue Bonds Fiscal 2011
$54,250,000 Subseries S-1A Tax-Exempt Bonds
$295,750,000 Subseries S-1B Taxable Bonds
(Build America Bonds)

Dated: Date of Delivery Due: July 15, as shown on inside cover page

The Building Aid Revenue Bonds, Fiscal 2011 Subseries S-1A Tax-Exempt Bonds (the "Tax-Exempt Bonds"), and the Building Aid Revenue Bonds, Fiscal 2011 Subseries S-1B Taxable Bonds (the "Build America Bonds" and, together with the Tax-Exempt Bonds, the "Series 2011 S-1 Bonds"), are being issued by the New York City Transitional Finance Authority (the "Authority") pursuant to Part A-3 of Chapter 58 of the Laws of New York, 2006 (the "School Financing Act") and the New York City Transitional Finance Authority Act, as amended (the "Enabling Act" and, together with the School Financing Act, the "Act"), and the Amended and Restated Original Indenture, dated October 25, 2010, as supplemented (the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York, as trustee (the "Trustee").

Provided certain statutory and contractual conditions are met, other Bonds of the Authority on a parity with the Series 2011 S-1 Bonds may be issued. The Series 2011 S-1 Bonds together with all other series of Building Aid Revenue Bonds issued under the Indenture are referred to as "Building Aid Revenue Bonds." See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Additional Building Aid Revenue Bonds."

Pursuant to the School Financing Act, the Building Aid Revenue Bonds are payable from the State Building Aid (as defined herein) payable by the State to the City and assigned to the Authority. The payment of State Building Aid and any other State education aid to the City or the Authority is subject to annual appropriation by the State, is subject and subordinate to certain prior statutory and State constitutional claims and is dependent in part upon the financial condition of the State. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Financial Condition of the State."

The application of State Building Aid to the payment of the Building Aid Revenue Bonds is subordinate to the payment of (i) obligations of the Authority issued prior to the issuance of the Authority's Building Aid Revenue Bonds, Fiscal 2007 Series S-1 dated November 16, 2006 and (ii) certain operating expenses of the Authority (collectively, the "Pre-07 S-1 Obligations"). State Building Aid shall only be applied to payment of the Pre-07 S-1 Obligations in the event that other revenues of the Authority, consisting primarily of Personal Income Taxes and Sales Taxes, are insufficient to pay the Pre-07 S-1 Obligations and other Authority obligations payable from Tax Revenues. The Authority expects that Personal Income Taxes and Sales Taxes will be sufficient to pay the Pre-07 S-1 Obligations and other obligations payable from Tax Revenues. The Building Aid Revenue Bonds are not secured by Personal Income Taxes or Sales Taxes. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS."

Pursuant to Section 99-b of the State Finance Law, as amended by the School Financing Act, the State Comptroller shall deduct and withhold State education aid or assistance due to the City in an amount required to pay the principal of and interest on any Building Aid Revenue Bonds in default.

The Series 2011 S-1 Bonds will be issued only as fully registered bonds, registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"). Purchasers will not receive physical delivery of the Series 2011 S-1 Bonds. Principal, redemption price and interest will be payable to DTC by the Trustee. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursements to the purchasers of the Series 2011 S-1 Bonds are the responsibility of the DTC Participants.

Purchases of the Series 2011 S-1 Bonds will be made in book-entry form in denominations of $5,000 or integral multiples thereof. Interest on the Series 2011 S-1 Bonds accrues from their dated date, and is payable on each January 15 and July 15, commencing July 15, 2011.

The Series 2011 S-1 Bonds are subject to redemption prior to maturity as described herein.

THE SERIES 2011 S-1 BONDS ARE PAYABLE FROM AND SECURED BY A LIEN ON STATE BUILDING AID SUBORDINATE TO PAYMENT OF THE PRE-07 S-1 OBLIGATIONS. THE BUILDING AID REVENUE BONDS ARE NOT A DEBT OF EITHER THE STATE OR THE CITY, AND NEITHER THE STATE NOR THE CITY SHALL BE LIABLE THEREON. PAYMENT OF STATE BUILDING AID AND ANY OTHER STATE EDUCATION AID TO THE CITY OR THE AUTHORITY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE. THE BUILDING AID REVENUE BONDS DO NOT CONSTITUTE "STATE SUPPORTED DEBT" (COMMONLY KNOWN AS "STATE APPROPRIATION DEBT") WITHIN THE MEANING OF THE STATE FINANCE LAW. THEREFORE, THE STATE WILL NOT BE ENTERING INTO ANY FINANCING AGREEMENT OR SERVICE CONTRACT IN CONNECTION WITH THE BUILDING AID REVENUE BONDS.

The Series 2011 S-1 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 Series 2011 S-1 Bonds and certain other matters by Fulbright & Jaworski L.L.P., New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority and the City by the New York City Corporation Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, New York, New York. It is expected that the Series 2011 S-1 Bonds will be available for delivery to DTC in New York, New York, on or about November 23, 2010.

Loop Capital Markets LLC

Barclays Capital | **BofA Merrill Lynch** | **Citi**

Goldman, Sachs & Co. | **Morgan Stanley** | **J.P. Morgan**

Cabrera Capital Markets, Inc. | **Fidelity Capital Markets** | **Jackson Securities**

Jefferies & Company | **M.R. Beal & Company** | **Ramirez & Co., Inc.**

Rice Financial Products Company | **Roosevelt and Cross Incorporated** | **Siebert Brandford Shank & Co. LLC**

Wells Fargo Bank, National Association

Morgan Keegan | **Oppenheimer & Co., Inc.** | **Raymond James & Associates, Inc.**

RBC Capital Markets | **Southwest Securities, Inc.** | **Stifel Nicolaus**

Stone & Youngberg

November 18, 2010

$350,000,000
New York City Transitional Finance Authority
Building Aid Revenue Bonds Fiscal 2011 Series S-1

$54,250,000
Subseries S-1A Tax-Exempt Bonds

Due July 15,	Principal Amount	Interest Rate	Yield	CUSIP Number[1]
2012	$4,545,000	3%	1.03%	64972HPY2
2013	4,680,000	3	1.42	64972HPZ9
2014	4,820,000	4	1.83	64972HQA3
2015	3,000,000	3	2.19	64972HQB1
2015	3,235,000	4	2.19	64972HQC9
2016	1,000,000	3	2.57	64972HQD7
2016	5,455,000	5	2.57	64972HQE5
2017	4,985,000	4	2.97	64972HQF2
2017	1,775,000	5	2.97	64972HQG0
2018	1,000,000	4	3.36	64972HQH8
2018	6,045,000	5	3.36	64972HQJ4
2019	7,390,000	5	3.66	64972HQK1
2020	6,320,000	5	3.91	64972HQL9

$295,750,000
Subseries S-1B Taxable Bonds
(Build America Bonds)

Due July 15,	Principal Amount	Interest Rate	Price	CUSIP Number[1]
2020	$1,440,000	5.154%	100%	64972HQX3
2021	5,000,000	5.404	100	64972HQY1

$21,105,000 6.204% Subseries S-1B Term Bonds due July 15, 2025 — Price 100% CUSIP Number[1] 64972HQZ8
$17,000,000 7.128% Subseries S-1B Term Bonds due July 15, 2030 — Price 100% CUSIP Number[1] 64972HRA2
$251,205,000 6.828% Subseries S-1B Term Bonds due July 15, 2040 — Price 100% CUSIP Number[1] 64972HRB0

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(1) Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2011 S-1 Bonds and neither the Authority nor the Underwriters makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011 S-1 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2011 S-1 Bonds.

Certain information in this Official Statement has been provided by the City and other sources considered by the Authority to be reliable. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized. No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation with respect to the Series 2011 S-1 Bonds, other than those contained in this Official Statement, 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 Official Statement 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 Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2011 S-1 Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement includes forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the City and the State and the amount of State Building Aid and Tax Revenues (as defined herein), the inclusion in this Official Statement 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 Official Statement, 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 Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN CONNECTION WITH OFFERS AND SALES OF THE SERIES 2011 S-1 BONDS, NO ACTION HAS BEEN TAKEN BY THE AUTHORITY THAT WOULD PERMIT A PUBLIC OFFERING OF THE SERIES 2011 S-1 BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE SERIES 2011 S-1 BONDS, THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2011 S-1 BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, EACH UNDERWRITER IS OBLIGATED TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE SERIES 2011 S-1 BONDS OR POSSESSES OR DISTRIBUTES THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2011 S-1 BONDS AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE SERIES 2011 S-1 BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES AND THE AUTHORITY SHALL HAVE NO RESPONSIBILITY THEREFOR.

ALTHOUGH CERTAIN INFORMATION RELATING TO THE FINANCIAL CONDITION OF THE STATE IS INCLUDED BY SPECIFIC REFERENCE IN THIS OFFICIAL STATEMENT, THE STATE HAS NOT REVIEWED OR APPROVED THIS OFFICIAL STATEMENT, NOR IS IT PASSING UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT.

THE SERIES 2011 S-1 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY BODY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

MARKS PANETH & SHRON LLP, THE AUTHORITY'S INDEPENDENT AUDITOR, HAS NOT REVIEWED, COMMENTED ON OR APPROVED, AND IS NOT ASSOCIATED WITH, THIS OFFICIAL STATEMENT. THE REPORT OF MARKS PANETH & SHRON LLP RELATING TO THE AUTHORITY'S FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009, WHICH IS A MATTER OF PUBLIC RECORD, IS INCLUDED IN THIS OFFICIAL STATEMENT. HOWEVER, MARKS PANETH & SHRON LLP HAS NOT PERFORMED ANY PROCEDURES ON ANY FINANCIAL STATEMENTS OR OTHER FINANCIAL INFORMATION OF THE AUTHORITY, INCLUDING WITHOUT LIMITATION ANY OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, SINCE THE DATE OF SUCH REPORT AND HAS NOT BEEN ASKED TO CONSENT TO THE INCLUSION OF ITS REPORT IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 S-1 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES HEREIN TO THE "ISSUER" MEAN THE AUTHORITY AND REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

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

NOTICE TO PROSPECTIVE INVESTORS LOCATED IN AUSTRALIA

ANY OFFER OF SECURITIES IN CONNECTION WITH THIS NOTICE WILL NOT BE MADE BY WAY OF A DISCLOSURE DOCUMENT UNDER PART 6D OF THE CORPORATIONS ACT (CTH) (THE "ACT").

NEITHER THE ISSUER NOR ANY UNDERWRITER IS REQUIRED TO PROVIDE YOU WITH A PROSPECTUS OR OTHER DISCLOSURE DOCUMENT FOR THE ISSUE OF SECURITIES BECAUSE OF THE APPLICATION OF SPECIFIC EXEMPTIONS FROM THE REQUIREMENTS FOR DISCLOSURE SET OUT IN SECTION 708 OF THE ACT. IN PARTICULAR, THIS NOTICE IS BEING PROVIDED TO YOU ON THE BASIS THAT:

1. ANY OFFER IN CONNECTION WITH THIS NOTICE IS A PERSONAL OFFER WITHIN THE MEANING OF SECTION 708(2) OF THE ACT, AND THAT OFFER WILL NOT RESULT IN ANY BREACH REFERRED TO IN THAT SECTION;

2. SECTION 708(8) OF THE ACT APPLIES AND YOU ARE A SOPHISTICATED INVESTOR IN ACCORDANCE WITH THE TERMS OF THAT SECTION;

3. YOU ARE AN EXPERIENCED INVESTOR WITHIN THE MEANING OF S 708(10) OF THE ACT; OR

4. YOU ARE A PROFESSIONAL INVESTOR IN ACCORDANCE WITH SECTION 708(11) OF THE ACT.

ANY DOCUMENTS PROVIDED IN CONNECTION WITH THIS NOTICE ARE FURNISHED SOLELY FOR INFORMATION PURPOSES ONLY AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSONS EXCEPT WITH AN UNDERWRITER'S PRIOR WRITTEN CONSENT. THE DOCUMENTS ARE STRICTLY CONFIDENTIAL.

THIS NOTICE DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SECURITIES AND NEITHER THIS NOTICE NOR ANYTHING CONTAINED IN IT WILL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT ON THE PART OF THE ISSUER OR AN UNDERWRITER TO ISSUE OR TRANSFER SECURITIES TO ANY PERSON.

NOTICE TO RESIDENTS OF BRAZIL

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

OFFERING IN CANADA (BRITISH COLUMBIA, ONTARIO, AND QUEBEC)

THE OFFERING OF THE SECURITIES IN CANADA IS BEING MADE IN THE PROVINCES OF BRITISH COLUMBIA, ONTARIO AND QUÉBEC (EACH, A "CANADIAN JURISDICTION" AND COLLECTIVELY, THE "CANADIAN JURISDICTIONS") PURSUANT TO EXEMPTIONS FROM THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS. THE SECURITIES WILL BE OFFERED TO "ACCREDITED INVESTORS" IN THE CANADIAN JURISDICTIONS PURSUANT TO SECTION 2.3 (THE "ACCREDITED INVESTOR EXEMPTION") OF NATIONAL INSTRUMENT 45-106 - *PROSPECTUS AND REGISTRATION EXEMPTIONS* OF THE CANADIAN SECURITIES ADMINISTRATORS ("NI 45-106"). UNDER THE ACCREDITED INVESTOR EXEMPTION, A SUBSCRIBER OR ANY PRINCIPAL ON WHOSE BEHALF THE SUBSCRIBER IS ACTING AS AGENT (A "CANADIAN PURCHASER") MUST QUALIFY AS AN "ACCREDITED INVESTOR", AS SUCH TERM IS DEFINED IN NI 45-106. ALL CANADIAN PURCHASERS OF THE SECURITIES WILL BE REQUIRED TO EXECUTE A SUBSCRIPTION AGREEMENT WHICH WILL CONTAIN REPRESENTATIONS, WARRANTIES, COVENANTS AND ACKNOWLEDGMENTS OF THE CANADIAN PURCHASER TO ESTABLISH THE AVAILABILITY OF SUCH EXEMPTION AND TO ENSURE COMPLIANCE WITH APPLICABLE CANADIAN SECURITIES LAWS.

RESALE RESTRICTIONS

THE SECURITIES ACQUIRED BY CANADIAN PURCHASERS HEREUNDER MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN ANY MANNER UNLESS SUCH SALE, TRANSFER OR DISPOSITION COMPLIES WITH THE RESALE RESTRICTIONS OF THE SECURITIES LAWS OF THE CANADIAN JURISDICTIONS. PURSUANT TO APPLICABLE CANADIAN PROVINCIAL AND TERRITORIAL SECURITIES LAWS, THE SECURITIES ACQUIRED BY A CANADIAN PURCHASER HEREUNDER WILL BE SUBJECT TO RESTRICTIONS ON RESALE UNTIL SUCH TIME AS:

(a) THE APPROPRIATE "HOLD PERIODS" HAVE BEEN SATISFIED AND SUCH PURCHASER HAS COMPLIED WITH OTHER APPLICABLE REQUIREMENTS, INCLUDING THE FILING OF APPROPRIATE REPORTS PURSUANT TO APPLICABLE SECURITIES LEGISLATION;

(b) A FURTHER STATUTORY EXEMPTION MAY BE RELIED UPON BY SUCH PURCHASER; OR

(c) AN APPROPRIATE DISCRETIONARY ORDER IS OBTAINED PURSUANT TO APPLICABLE SECURITIES LAWS.

AS THE ISSUER IS NOT A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY OF CANADA, THE APPLICABLE HOLD PERIOD FOR THE SECURITIES MAY NEVER EXPIRE, AND IF NO FURTHER STATUTORY EXEMPTION MAY BE RELIED UPON AND IF NO DISCRETIONARY ORDER IS OBTAINED, THIS COULD RESULT IN A CANADIAN PURCHASER HAVING TO HOLD THE SECURITIES FOR AN INDEFINITE PERIOD OF TIME. EACH CERTIFICATE REPRESENTING THE SECURITIES ISSUED TO CANADIAN PURCHASERS WILL BEAR A LEGEND INDICATING THAT THE RESALE OF SUCH SECURITIES IS RESTRICTED.

THE FOREGOING IS A SUMMARY ONLY OF APPLICABLE RESALE RESTRICTIONS AND IS SUBJECT TO THE EXPRESS PROVISIONS OF APPLICABLE SECURITIES LEGISLATION. ALL CANADIAN PURCHASERS SHOULD CONSULT WITH THEIR OWN LEGAL ADVISORS TO DETERMINE THE EXTENT OF THE APPLICABLE HOLD PERIOD AND THE POSSIBILITIES OF UTILIZING ANY FURTHER STATUTORY EXEMPTIONS OR THE OBTAINING OF A DISCRETIONARY ORDER.

INDIRECT COLLECTION OF PERSONAL INFORMATION

BY PURCHASING THE SECURITIES, A CANADIAN PURCHASER ACKNOWLEDGES THAT ITS NAME, RESIDENTIAL ADDRESS, TELEPHONE NUMBER AND OTHER SPECIFIED INFORMATION MAY BE DISCLOSED TO CANADIAN SECURITIES REGULATORY AUTHORITIES AND BECOME AVAILABLE TO THE PUBLIC IN ACCORDANCE WITH THE REQUIREMENTS OF APPLICABLE CANADIAN LAWS. BY PURCHASING THE SECURITIES, A CANADIAN PURCHASER CONSENTS TO THE DISCLOSURE OF SUCH INFORMATION.

BY PURCHASING THE SECURITIES, A CANADIAN PURCHASER THAT IS RESIDENT IN THE PROVINCE OF ONTARIO ACKNOWLEDGES THAT IT HAS BEEN NOTIFIED BY THE ISSUER: (A) OF THE REQUIREMENT TO DELIVER TO THE ONTARIO SECURITIES COMMISSION (THE "OSC") THE FULL NAME, RESIDENTIAL ADDRESS AND TELEPHONE NUMBER OF SUCH PURCHASER, THE NUMBER AND TYPE OF SECURITIES PURCHASED, THE TOTAL PURCHASE PRICE, THE EXEMPTION RELIED UPON AND THE DATE OF DISTRIBUTION; (B) THAT THIS INFORMATION IS BEING COLLECTED INDIRECTLY BY THE OSC UNDER THE AUTHORITY GRANTED TO IT IN APPLICABLE SECURITIES LEGISLATION; (C) THAT THIS INFORMATION IS BEING COLLECTED FOR THE PURPOSES OF THE ADMINISTRATION AND ENFORCEMENT OF THE SECURITIES LEGISLATION OF ONTARIO; AND (D) THAT THE ADMINISTRATIVE SUPPORT CLERK CAN BE CONTACTED AT THE ONTARIO SECURITIES COMMISSION, SUITE 1903, BOX 55, 20 QUEEN STREET WEST, TORONTO, ONTARIO M5H 3S8, OR AT (416) 593-3684, AND CAN ANSWER ANY QUESTIONS ABOUT THE OSC'S INDIRECT COLLECTION OF THIS INFORMATION.

RIGHTS OF ACTIONS FOR DAMAGES OR RESCISSION

1. <u>ONTARIO PURCHASERS</u>. *THE* SECURITIES ACT *(ONTARIO) (THE "ONTARIO ACT") PROVIDES CANADIAN PURCHASERS RESIDENT IN THE PROVINCE OF ONTARIO WITH, IN ADDITION TO ANY OTHER RIGHT THEY MAY HAVE AT LAW, RIGHTS OF RESCISSION OR DAMAGES, OR BOTH, WHERE THIS DOCUMENT AND ANY AMENDMENT TO IT CONTAINS A MISREPRESENTATION (AS DEFINED BELOW). HOWEVER, SUCH RIGHTS MUST BE EXERCISED BY THE PURCHASERS WITHIN THE TIME LIMITS PRESCRIBED BY THE ONTARIO ACT. CANADIAN PURCHASERS RESIDENT IN THE PROVINCE OF ONTARIO SHOULD CONSULT WITH A LEGAL ADVISOR OR REFER TO THE APPLICABLE PROVISIONS OF THE ONTARIO ACT, FOUND IN SECTION 130.1, FOR THE COMPLETE TEXT OF THESE RIGHTS, THE DEFENCES AVAILABLE TO THE ISSUER AND OTHERS AND THE TIME LIMITS DURING WHICH THESE RIGHTS MUST BE EXERCISED.*

THE RIGHTS OF ACTION SUMMARIZED BELOW SHALL BE AVAILABLE TO EACH CANADIAN PURCHASER OF THE SECURITIES RESIDENT IN ONTARIO AND ARE IN ADDITION TO AND WITHOUT DEROGATION FROM ANY OTHER RIGHT OR REMEDY AVAILABLE AT LAW TO SUCH PURCHASER AND ARE INTENDED TO CORRESPOND TO THE RIGHTS AGAINST AN ISSUER OF SECURITIES PROVIDED IN THE ONTARIO ACT AND ARE SUBJECT TO THE DEFENCES CONTAINED THEREIN. WHERE USED IN THIS SECTION, "MISREPRESENTATION" MEANS AN UNTRUE STATEMENT OF MATERIAL FACT OR AN OMISSION TO STATE A MATERIAL FACT THAT IS REQUIRED TO BE STATED OR THAT IS NECESSARY TO MAKE A STATEMENT NOT MISLEADING IN THE LIGHT OF THE CIRCUMSTANCES IN WHICH IT WAS MADE.

IN THE EVENT THAT THIS OFFICIAL STATEMENT, TOGETHER WITH ANY AMENDMENTS HERETO, IS DELIVERED TO A CANADIAN PURCHASER RESIDENT IN ONTARIO AND CONTAINS A MISREPRESENTATION, SUCH PURCHASER SHALL BE DEEMED TO HAVE RELIED UPON SUCH MISREPRESENTATION AND HAS, SUBJECT AS HEREINAFTER PROVIDED, A STATUTORY RIGHT OF ACTION AGAINST THE ISSUER EITHER FOR DAMAGES OR ALTERNATIVELY, WHILE STILL THE OWNER OF ANY OF THE SECURITIES, RESCISSION, PROVIDED THAT:

(a) AN ACTION IS COMMENCED TO ENFORCE SUCH RIGHT (I) IN THE CASE OF AN ACTION FOR RESCISSION, WITHIN 180 DAYS AFTER THE DATE OF PURCHASE, OR

(II) IN THE CASE OF AN ACTION FOR DAMAGES, WITHIN THE EARLIER OF 180 DAYS FOLLOWING THE DATE SUCH PURCHASER FIRST HAD KNOWLEDGE OF THE MISREPRESENTATION AND THREE YEARS AFTER THE DATE OF THE PURCHASE;

(b) A PERSON OR COMPANY WILL NOT BE LIABLE IF IT PROVES THAT SUCH PURCHASER PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION;

(c) IN THE CASE OF AN ACTION FOR DAMAGES, THE ISSUER WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT IT PROVES DOES NOT REPRESENT THE DEPRECIATION IN VALUE OF THE SECURITIES AS A RESULT OF THE MISREPRESENTATION RELIED UPON;

(d) IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE SECURITIES WERE SOLD TO SUCH PURCHASER; AND

(e) IF SUCH PURCHASER ELECTS TO EXERCISE THE RIGHT OF RESCISSION, IT WILL HAVE NO RIGHT OF ACTION FOR DAMAGES.

NOTWITHSTANDING THE FOREGOING, A CANADIAN PURCHASER RESIDENT IN THE PROVINCE OF ONTARIO WILL NOT HAVE THE RIGHTS REFERRED TO ABOVE IF SUCH PURCHASER IS:

(A) A CANADIAN FINANCIAL INSTITUTION, MEANING EITHER:

(ii) AN ASSOCIATION GOVERNED BY THE *COOPERATIVE CREDIT ASSOCIATIONS ACT* (CANADA) OR A CENTRAL COOPERATIVE CREDIT SOCIETY FOR WHICH AN ORDER HAS BEEN MADE UNDER SECTION 473(1) OF THAT ACT; OR

(iii) A BANK, LOAN CORPORATION, TRUST COMPANY, TRUST CORPORATION, INSURANCE COMPANY, TREASURY BRANCH, CREDIT UNION, CAISSE POPULAIRE, FINANCIAL SERVICES CORPORATION, OR LEAGUE THAT, IN EACH CASE, IS AUTHORIZED BY AN ENACTMENT OF CANADA OR A JURISDICTION OF CANADA TO CARRY ON BUSINESS IN CANADA OR A JURISDICTION IN CANADA;

(B) A SCHEDULE III BANK, MEANING AN AUTHORIZED FOREIGN BANK NAMED IN SCHEDULE III OF THE *BANK ACT* (CANADA);

(C) THE BUSINESS DEVELOPMENT BANK OF CANADA INCORPORATED UNDER THE *BUSINESS DEVELOPMENT BANK OF CANADA ACT* (CANADA); OR

(D) A SUBSIDIARY OF ANY PERSON REFERRED TO IN PARAGRAPHS (A), (B) OR (C), IF THE PERSON OWNS ALL OF THE VOTING SECURITIES OF THE SUBSIDIARY, EXCEPT THE VOTING SECURITIES REQUIRED BY LAW TO BE OWNED BY THE DIRECTORS OF THE SUBSIDIARY.

THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS OF THE ONTARIO ACT AND THE RESPECTIVE REGULATIONS AND RULES THEREUNDER. EACH CANADIAN PURCHASER RESIDENT IN ONTARIO SHOULD REFER TO THE COMPLETE TEXT OF SUCH PROVISIONS OR CONSULT WITH A LEGAL ADVISOR.

LANGUAGE OF DOCUMENTS

UPON RECEIPT OF THIS OFFICIAL STATEMENT, THE PURCHASER HEREBY CONFIRMS THAT HE, SHE OR IT HAS EXPRESSLY REQUESTED THAT ALL DOCUMENTS EVIDENCING OR RELATING IN ANY WAY TO THE OFFER AND/OR SALE OF THE SECURITIES BE DRAWN UP IN THE ENGLISH LANGUAGE ONLY. *PAR LA RÉCEPTION DE CE DOCUMENT, L'ACHETEUR CONFIRME PAR LES PRÉSENTES QU'IL A EXPRESSÉMENT EXIGÉ QUE TOUS LES DOCUMENTS FAISANT FOI OU SE RAPPORTANT DE QUELQUE MANIÈRE QUE CE SOIT À L'OFFRE OU À LA VENTE DES VALEURS MOBILIÈRES DÉCRITES AUX PRÉSENTES (INCLUANT, POUR PLUS DE CERTITUDE, TOUTE CONFIRMATION D'ACHAT OU TOUT AVIS) SOIENT RÉDIGÉS EN ANGLAIS SEULEMENT.*

NOTICE TO PROSPECTIVE INVESTORS IN THE PEOPLES REPUBLIC OF CHINA (PRC)

THIS OFFICIAL STATEMENT HAS NOT BEEN AND WILL NOT BE CIRCULATED OR DISTRIBUTED IN THE PRC, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD, AND WILL NOT BE OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, TO ANY RESIDENTS OF THE PRC EXCEPT PURSUANT TO APPLICABLE LAWS AND REGULATIONS OF THE PRC. FOR THE PURPOSES OF THIS PARAGRAPH, THE PRC DOES NOT INCLUDE TAIWAN, HONG KONG OR MACAU.

NOTICE TO PROSPECTIVE INVESTORS IN DENMARK

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A PROSPECTUS UNDER ANY DANISH LAW AND HAS NOT BEEN FILED WITH OR APPROVED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY AS THIS OFFICIAL STATEMENT HAS NOT BEEN PREPARED IN THE CONTEXT OF A PUBLIC OFFERING OF SECURITIES IN DENMARK WITHIN THE MEANING OF THE DANISH SECURITIES TRADING ACT OR ANY EXECUTIVE ORDERS ISSUED PURSUANT THERETO. PURSUANT TO SECTION 11 (1) OF THE DANISH PROSPECTUS ORDER NO. 223 OF 10 MARCH 2010 AND SECTION 2 OF THE DANISH EXECUTIVE ORDER NO. 222 OF MARCH 10, 2010, THIS OFFICIAL STATEMENT WILL ONLY BE DIRECTED TO:

(i) QUALIFIED INVESTORS AS DEFINED IN SECTION 2 OF THE DANISH PROSPECTUS ORDER NO. 223 OF 10 MARCH 2010 AND/OR

(ii) FEWER THAN 100 NATURAL OR LEGAL PERSONS IN DENMARK, AND/OR

(iii) INVESTORS WHO ACQUIRE SECURITIES FOR A TOTAL CONSIDERATION OF AT LEAST EUR 50,000 PER INVESTOR FOR EACH SINGLE OFFER OF SECURITIES, AND/OR

(iv) SECURITIES WHICH ARE SUBJECT TO A MINIMUM DENOMINATION EQUIVALENT TO AT LEAST EUR 50,000 PER SECURITY.

ACCORDINGLY, THIS OFFICIAL STATEMENT MAY NOT BE MADE AVAILABLE NOR MAY THE SECURITIES OTHERWISE BE MARKETED AND OFFERED FOR SALE IN DENMARK OTHER THAN IN CIRCUMSTANCES WHICH ARE DEEMED NOT TO BE CONSIDERED AS MARKETING OR AN OFFER TO THE PUBLIC IN DENMARK.

NOTICE TO PROSPECTIVE INVESTORS IN DUBAI INTERNATIONAL FINANCIAL CENTRE

THIS OFFICIAL STATEMENT RELATES TO AN EXEMPT OFFER IN ACCORDANCE WITH THE OFFERED SECURITIES RULES OF THE DUBAI FINANCIAL SERVICES AUTHORITY.

THIS OFFICIAL STATEMENT IS INTENDED FOR DISTRIBUTION ONLY TO PERSONS OF A TYPE SPECIFIED IN THOSE RULES. IT MUST NOT BE DELIVERED TO, OR RELIED ON BY, ANY OTHER PERSON.

THE DUBAI FINANCIAL SERVICES AUTHORITY HAS NO RESPONSIBILITY FOR REVIEWING OR VERIFYING ANY DOCUMENTS IN CONNECTION WITH EXEMPT OFFERS. THE DUBAI FINANCIAL SERVICES AUTHORITY HAS NOT APPROVED THIS OFFICIAL STATEMENT NOR TAKEN STEPS TO VERIFY THE INFORMATION SET OUT IN IT, AND HAS NO RESPONSIBILITY FOR IT.

THE SECURITIES TO WHICH THIS OFFICIAL STATEMENT RELATES MAY BE ILLIQUID AND/OR SUBJECT TO RESTRICTIONS ON THEIR RESALE. PROSPECTIVE PURCHASERS OF THE SECURITIES OFFERED SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE SECURITIES.

IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS OFFICIAL STATEMENT YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISER.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF DIRECTIVE 2003/7 1/EC (THE “PROSPECTUS DIRECTIVE”), AS IMPLEMENTED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (THE “EEA”), FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER WITHIN THE EEA OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFICIAL STATEMENT.

IN RELATION TO EACH MEMBER STATE OF THE EEA THAT HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A “RELEVANT MEMBER STATE”), WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THAT RELEVANT MEMBER STATE, OTHER THAN: (A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES; (B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (I) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR, (II) A TOTAL BALANCE SHEET OF MORE THAN EURO 43,000,000, AND (III) AN ANNUAL NET TURNOVER OF MORE THAN EURO 50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; (C) TO FEWER THAN AN AGGREGATE OF 100 NATURAL OR LEGAL PERSONS (OTHER THAN QUALIFIED INVESTORS AS DEFINED IN THE PROSPECTUS DIRECTIVE) SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR UNDERWRITERS NOMINATED BY THE ISSUER, OR (D) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE SECURITIES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES, AS THE SAME MAY BE VARIED IN THAT RELEVANT

MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT RELEVANT MEMBER STATE AND THE EXPRESSION "PROSPECTUS DIRECTIVE" MEANS DIRECTIVE 2003/7 1/BC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

NOTICE TO RESIDENTS OF FRANCE

THE SECURITIES HAVE NOT BEEN OFFERED OR SOLD AND WILL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, BY WAY OF A PUBLIC OFFER IN FRANCE (OFFRE AU PUBLIC, AS DEFINED IN ARTICLES L. 411-1, OF THE CODE MONÉTAIRE ET FINANCIER). THE SECURITIES MAY ONLY BE SUBSCRIBED FOR OR HELD BY QUALIFIED INVESTORS (INVESTISSEURS QUALIFIÉS) SOLELY FOR THEIR OWN ACCOUNT, AS PROVIDED BY ARTICLES L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 AND D. 764-1 OF THE CODE MONÉTAIRE ET FINANCIER. THUS, THE SECURITIES ACQUIRED SHALL NOT BE DISTRIBUTED DIRECTLY OR INDIRECTLY TO THE PUBLIC OTHERWISE THAN IN ACCORDANCE WITH ARTICLES L. 411-1, L. 411-2, L. 412-1 AND L. 621-8 TO L. 621-8-3 OF THE CODE MONÉTAIRE ET FINANCIER.

THIS OFFICIAL STATEMENT IS FURNISHED TO POTENTIAL QUALIFIED INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. IT IS STRICTLY CONFIDENTIAL AND IS SOLELY DESTINED FOR QUALIFIED INVESTORS TO WHICH IT WAS INITIALLY SUPPLIED. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SECURITIES AND NEITHER THIS OFFICIAL STATEMENT NOR ANYTHING HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS OFFICIAL STATEMENT OR ANY OTHER MATERIAL RELATING TO THE SECURITIES MAY NOT BE DISTRIBUTED TO THE PUBLIC IN FRANCE OR USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF SECURITIES IN FRANCE OTHER THAN IN ACCORDANCE WITH ARTICLES L. 411-2, D. 411-1 AND D. 411-2 OF THE CODE MONÉTAIRE ET FINANCIER. THIS OFFICIAL STATEMENT HAS NOT BEEN SUBMITTED AND NO PROSPECTUS WILL BE SUBMITTED TO THE "AUTORITÉ DES MARCHÉS FINANCIERS" FOR APPROVAL. ANY CONTACT WITH POTENTIAL QUALIFIED INVESTORS IN FRANCE DOES NOT AND WILL NOT CONSTITUTE FINANCIAL AND BANKING SOLICITATION (DÉMARCHAGE BANCAIRE ET FINANCIER) AS DEFINED IN ARTICLES L. 341-1 ET SEQ. OF THE CODE MONÉTAIRE ET FINANCIER.

NOTICE TO PROSPECTIVE INVESTORS IN GERMANY

THE SECURITIES HAVE NOT BEEN, WILL NOT BE AND MAY NOT BE OFFERED, PROMOTED OR SOLD, EITHER DIRECTLY OR INDIRECTLY, IN GERMANY BY WAY OF AN OFFER TO THE PUBLIC WITHIN THE MEANING OF SECTION 2 NO. 4 OF THE SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ). THE SECURITIES MAY ONLY BE OFFERED TO, SOLD TO, SUBSCRIBED FOR OR HELD BY QUALIFIED INVESTORS WITHIN THE MEANING OF SECTION 2 NO. 6 OF THE SECURITIES PROSPECTUS ACT OR, IF APPLICABLE, ANY PERSON IN GERMANY WHOSE PROFESSIONAL OR COMMERCIAL ACTIVITIES INVOLVE THEM IN THE ACQUIRING OR DISPOSING OF INVESTMENTS WITHIN THE MEANING OF SECTION 8F SUBSECTION 2 NO. 4 OF THE SALES PROSPECTUS ACT (VERKAUFSPROSPEKTGESETZ) EITHER AS PRINCIPAL OR AGENT.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SUBSCRIBE FOR OR BUY ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN GERMANY. THIS OFFICIAL STATEMENT IS GIVEN TO POTENTIAL INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE DISTRIBUTED TO ANY OTHER PERSON. IT IS CONFIDENTIAL AND SOLELY TARGETED AT THE RECIPIENTS, I.E. QUALIFIED INVESTORS WITHIN THE MEANING OF SECTION 2 NO. 6 OF THE SECURITIES PROSPECTUS ACT, TO WHICH IT HAS BEEN INITIALLY SUPPLIED.

NOTICE TO RESIDENTS OF HONG KONG

THE SECURITIES HAVE NOT BEEN AUTHORISED BY THE SECURITIES AND FUTURES COMMISSION IN HONG KONG FOR PUBLIC OFFERING IN HONG KONG, NOR HAS A COPY OF THIS OFFICIAL STATEMENT BEEN REGISTERED WITH THE REGISTRAR OF COMPANIES IN HONG KONG.

THE SECURITIES MAY NOT BE OFFERED OR SOLD BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE, OR FORM PART OF, AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32 OF THE LAWS OF HONG KONG), OR (II) TO “PROFESSIONAL INVESTORS” WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP.571 OF THE LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A “PROSPECTUS” WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32 OF THE LAWS OF HONG KONG), AND THAT NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SECURITIES MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE SECURITIES WHICH ARE OR ARE INTENDED TO BE SOLD OR OTHERWISE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO “PROFESSIONAL INVESTORS” WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER.

NOTICE TO RESIDENTS OF JAPAN

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN (LAW NO. 25 OF 1948, AS AMENDED, THE “FIEL”). THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN), OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FIEL AND ANY OTHER APPLICABLE LAWS, REGULATIONS AND MINISTERIAL GUIDELINES OF JAPAN.

NOTICE TO PROSPECTIVE INVESTORS IN KOREA

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENTS SERVICES AND CAPITAL MARKETS ACT OF KOREA AND THE DECREES AND REGULATIONS THEREUNDER (THE “FSCMA”) AND THE SECURITIES HAVE BEEN AND WILL BE OFFERED IN KOREA AS A PRIVATE PLACEMENT UNDER THE FSCMA. NONE OF THE SECURITIES MAY BE OFFERED, SOLD AND DELIVERED DIRECTLY OR INDIRECTLY, OR OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT PURSUANT TO THE APPLICABLE LAWS AND REGULATIONS OF KOREA, INCLUDING THE FSCMA AND THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND THE DECREES AND REGULATIONS THEREUNDER (THE “FETL”). FOR A PERIOD OF ONE YEAR FROM THE ISSUE DATE OF THE SECURITIES, THE DENOMINATION OF THE SECURITIES MAY NOT BE SUB-DIVIDED. FURTHERMORE, THE PURCHASER OF THE SECURITIES SHALL COMPLY WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO REQUIREMENTS UNDER THE FETL) IN CONNECTION WITH THE PURCHASE OF THE SECURITIES.

EACH UNDERWRITER WILL REPRESENT AND AGREE THAT IT HAS NOT OFFERED, SOLD OR DELIVERED THE SECURITIES DIRECTLY OR INDIRECTLY TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA AND WILL NOT OFFER, SELL OR DELIVER THE SECURITIES DIRECTLY OR INDIRECTLY TO ANY PERSON FOR RE-

OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FSCMA, THE FETL AND OTHER RELEVANT LAWS AND REGULATIONS OF KOREA.

NOTICE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS

1. IN ACCORDANCE WITH THE DUTCH FINANCIAL SUPERVISION ACT (“WET OP HET FINANCIEEL TOEZICHT” OR “WFT”) AND THE WFT EXEMPTIONS REGULATION (IN DUTCH: “VRIJSTELLINGSREGELING WFT”) A STRAIGHT FORWARD OFFERING OF THE SECURITIES TO THE PUBLIC IN THE NETHERLANDS REQUIRES PUBLICATION OF A PROSPECTUS THAT IS DULY APPROVED BY THE COMPETENT DUTCH AUTHORITY (I.E. NETHERLANDS AUTHORITY FOR THE FINANCIAL MARKETS, IN DUTCH: “AUTORITEIT FINANCIËLE MARKTEN” OR “AFM”) OR BY A COMPETENT AUTHORITY OF ANOTHER EUROPEAN MEMBER STATE, UNLESS:

   (a) THE SECURITIES ARE OFFERED EXCLUSIVELY TO QUALIFIED INVESTORS AS DEFINED IN THE WFT; AND/OR

   (b) THE SECURITIES ARE OFFERED TO LESS THAN 100 PEOPLE, NOT BEING QUALIFIED INVESTORS AS DEFINED IN THE WFT; AND/OR

   (c) THE SECURITIES ARE OFFERED IN MINIMUM LOTS OF EUR 50,000 IN TERMS OF NOMINAL VALUE OR SUBSCRIPTION PRICE; AND/OR

   (d) THE TOTAL CONSIDERATION VALUE OF THE OFFERING OF SECURITIES INVOLVES A TOTAL AMOUNT OF LESS THAN EUR 100,000 CALCULATED OVER A 12-MONTH-PERIOD; AND/OR

   (e) THE OFFERING OF SECURITIES FORMS PART OF AN OFFER UNDER WHICH THE TOTAL CONSIDERATION VALUE OF THE OFFER, CALCULATED OVER A PERIOD OF TWELVE MONTHS, DOES NOT EXCEED EUR 2.5 MILLION, PROVIDED THAT IN ALL RELEVANT DOCUMENTATION AND ADVERTISEMENTS THE OFFEROR MENTIONS THAT THE OFFER IN QUESTION IS EXEMPTED FROM THE STATUTORY REQUIREMENT TO PUBLISH A PROSPECTUS; AND/OR

   (f) THE SECURITIES ARE OFFERED TO INVESTORS, NOT BEING QUALIFIED INVESTORS, WHO HAVE CONCLUDED A WRITTEN MANDATE AGREEMENT (“SCHRIFTELIJKE OVEREENKOMST VAN LASTGEVING”) WITH AN ASSET MANAGER ENTITLED TO PROVIDE INVESTMENT SERVICES UNDER THE LAW OF THE NETHERLANDS AND WHO IS ENTITLED IN TERMS OF THAT AGREEMENT TO UNDERTAKE OR REALISE TRANSACTIONS AT HIS OWN DISCRETION WITHOUT TAKING ORDERS FROM OR CONSULTING WITH THE INVESTORS WHO GRANTED THE MANDATE.

2. IN LIGHT OF THE ABOVE, THE SECURITIES THAT ARE OFFERED TO YOU WITHOUT PUBLICATION OF A PROSPECTUS THAT IS DULY APPROVED BY THE AFM OR BY A COMPETENT AUTHORITY OF ANOTHER EUROPEAN MEMBER STATE SHALL NOT BE DEEMED TO BE IN VIOLATION OF THE WFT AND THE WFT EXEMPTION REGULATION, IF AND INSOFAR AS:

   (a) YOU ARE A QUALIFIED INVESTOR AS DEFINED IN THE WFT; AND /OR

   (b) YOU ARE NOT A QUALIFIED INVESTOR AS DEFINED IN THE WFT, BUT YOU HAVE CONCLUDED A WRITTEN MANDATE AGREEMENT (“SCHRIFTELIJKE OVEREENKOMST VAN LASTGEVING”) WITH AN ASSET MANAGER ENTITLED TO

PROVIDE INVESTMENT SERVICES UNDER THE LAW OF THE NETHERLANDS AND WHO IS ENTITLED IN TERMS OF THAT AGREEMENT TO UNDERTAKE OR REALISE TRANSACTIONS IN THE SECURITIES AT HIS OWN DISCRETION WITHOUT BEING REQUIRED TO TAKE ORDERS FROM OR CONSULT WITH YOU; AND/OR

(c) YOU INVEST AT LEAST EUR 50,000 IN THE ACQUISITION OF THE SECURITIES.

3. THE OFFERING OF SECURITIES IS ONLY AIMED AT, DIRECTED AND MADE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS WHO FALL WITHIN THE SCOPE OF PAR. 2 ABOVE AND, THEREFORE, ANY RESPONSE TO AN OFFER OF SECURITIES MADE BY AN INVESTOR THAT DOES NOT FALL WITHIN THE SCOPE OF PAR. 2 ABOVE SHALL NOT BE DEEMED TO CONSTITUTE NOR IMPLY ACCEPTANCE OF THE OFFER AND THE OFFEROR SHALL IN THAT CASE NOT BE HELD TO SELL THE SECURITIES TO THAT INVESTOR.

4. THIS NOTICE IS FURNISHED TO PROSPECTIVE INVESTORS IN THE NETHERLANDS ONLY IN CONNECTION WITH THIS OFFICIAL STATEMENT AND IS SOLELY FOR THEIR INFORMATION. THIS NOTICE IS NOT TO BE USED, CIRCULATED, QUOTED OR OTHERWISE RELIED UPON BY ANY OTHER PERSON OR ENTITY OR, FOR ANY PURPOSE.

NOTICE TO PROSPECTIVE INVESTORS IN NEW ZEALAND

NO ACTION HAS BEEN TAKEN TO AUTHORIZE THE OFFER OF ANY OF THE SECURITIES TO THE PUBLIC IN NEW ZEALAND. ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD, OR RE-OFFERED OR RESOLD, AND THIS OFFICIAL STATEMENT OR ANY OTHER MATERIAL IN CONNECTION WITH THE SECURITIES MAY NOT BE ISSUED, CIRCULATED, DELIVERED OR DISTRIBUTED, IN NEW ZEALAND, EITHER DIRECTLY OR INDIRECTLY, OTHER THAN TO:

(a) PERSONS WHOSE PRINCIPAL BUSINESS IS THE INVESTMENT OF MONEY OR WHO, IN THE COURSE OF AND FOR THE PURPOSES OF THEIR BUSINESS, HABITUALLY INVEST MONEY;

(b) PERSONS WHO ARE EACH REQUIRED TO PAY A MINIMUM SUBSCRIPTION PRICE OF AT LEAST $500,000 FOR THE SECURITIES BEFORE THE ALLOTMENT OF THOSE SECURITIES;

(c) PERSONS WHO HAVE EACH, IN A SINGLE TRANSACTION, PREVIOUSLY PAID THE ISSUER OF THE CURRENT SECURITIES A MINIMUM SUBSCRIPTION PRICE OF AT LEAST $500,000 FOR OTHER SECURITIES ISSUED BY THE SAME ENTITY BEFORE THE ALLOTMENT OF SUCH OTHER SECURITIES AND PROVIDED THAT THE OFFER OF THE CURRENT SECURITIES IS MADE WITHIN 18 MONTHS OF THE DATE OF THE FIRST ALLOTMENT OF THE PREVIOUS SECURITIES; OR

(d) PERSONS WHO ARE “ELIGIBLE PERSONS” (AS DEFINED IN SECTION 5(2CC) OF THE SECURITIES ACT 1978 (NZ)),

IN EACH CASE AS INTERPRETED IN ACCORDANCE WITH THE SECURITIES ACT 1978 (NZ) AND THE LAWS OF NEW ZEALAND.

ALL PERSONS INTO WHOSE POSSESSION THIS MATERIAL MAY COME MUST INFORM THEMSELVES ABOUT AND STRICTLY OBSERVE THE RESTRICTIONS DETAILED IN THE PRECEDING SENTENCE.

THIS OFFICIAL STATEMENT IS NOT A NEW ZEALAND REGISTERED PROSPECTUS OR INVESTMENT STATEMENT, THE CONTENT OF WHICH IS PRESCRIBED BY THE SECURITIES ACT

1978 (NZ) AND OTHER LAWS, AND DOES NOT CONTAIN THE INFORMATION THAT SUCH DOCUMENTS WOULD BE REQUIRED TO CONTAIN.

NOTICE TO PROSPECTIVE INVESTORS IN NORWAY

THE SECURITIES HAVE NOT AND WILL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, TO ANY PERSON IN THE NORWAY, OTHER THAN TO LEGAL AND PHYSICAL PERSONS DEEMED TO BE PROFESSIONAL INVESTORS AS FURTHER DEFINED IN SECTION 7-1 OF THE NORWEGIAN REGULATION OF SECURITIES TRADING (“THE REGULATION”).

PROFESSIONAL INVESTORS ARE CATEGORIZED AS:

(i) LEGAL ENTITIES THAT ARE DEEMED TO BE PROFESSIONAL INVESTORS WITHOUT FURTHER REQUIREMENTS, CF. SECTION 7-1 (1) OF THE REGULATION,

(ii) LEGAL AND PHYSICAL PERSONS THAT MUST BE REGISTERED WITH THE COMPETENT AUTHORITY RESPONSIBLE FOR INSPECTING PROSPECTUSES IN ORDER TO BE DEEMED PROFESSIONAL INVESTORS, CF. SECTION 7-1 (2) AND (3) OF THE REGULATION.

THIS OFFICIAL STATEMENT IS FURNISHED TO POTENTIAL INVESTORS SOLELY FOR THEIR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. IT IS STRICTLY CONFIDENTIAL AND IS SOLELY DESTINED FOR PERSONS OR INSTITUTIONS TO WHICH IT WAS INITIALLY SUPPLIED. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SUBSCRIBE FOR OR TO PURCHASE ANY SECURITIES. NEITHER THIS OFFICIAL STATEMENT NOR ANYTHING HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS OFFICIAL STATEMENT HAS NOT BEEN SUBMITTED TO THE OSLO STOCK EXCHANGE / THE NORWEGIAN FINANCIAL SUPERVISORY AUTHORITY FOR APPROVAL.

INVESTMENT SERVICES, INCLUDING OFFERING AND SUBSCRIPTION OF SECURITIES, CAN ONLY BE MADE THROUGH INVESTMENT FIRMS AUTHORIZED BY THE FINANCIAL SUPERVISORY AUTHORITY OF NORWAY, CF. THE NORWEGIAN SECURITIES TRADING ACT CHAPTER 9. THE ISSUER RESERVES ITS RIGHTS, AT ITS SOLE DISCRETION, TO REJECT ANY SUBSCRIPTION MADE THROUGH NON-AUTHORIZED INVESTMENT FIRMS.

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

NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH ANY OFFER OF THE SECURITIES HAS BEEN OR WILL BE LODGED OR REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE (MAS) UNDER THE SECURITIES AND FUTURES ACT (CAP.289) OF SINGAPORE (SFA). ACCORDINGLY, MAS ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THIS OFFICIAL STATEMENT. THIS OFFICIAL STATEMENT IS NOT A PROSPECTUS AS DEFINED IN THE SFA AND STATUTORY LIABILITY UNDER THE SFA IN RELATION TO THE CONTENTS OF PROSPECTUSES WOULD NOT APPLY.

THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENTS OR MATERIALS IN CONNECTION WITH THIS OFFER AND THE SECURITIES MAY NOT BE DIRECTLY OR INDIRECTLY ISSUED, CIRCULATED OR DISTRIBUTED, NOR MAY THE SECURITIES BE OFFERED OR SOLD, OR BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR

UNDER SECTION 274 OF THE SFA; (II) TO A RELEVANT PERSON (AS DEFINED IN SECTION 275(2) OF THE SFA) PURSUANT TO SECTION 275(1) OF THE SFA; (III) TO ANY PERSON PURSUANT TO THE CONDITIONS OF SECTION 275(1A) OF THE SFA; OR (IV) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH, THE CONDITIONS OF ANY OTHER APPLICABLE PROVISIONS OF THE SFA.

ANY SUBSEQUENT OFFERS IN SINGAPORE OF SECURITIES ACQUIRED PURSUANT TO AN INITIAL OFFER MADE IN RELIANCE ON AN EXEMPTION UNDER SECTION 274 OF THE SFA OR SECTION 275 OF THE SFA MAY ONLY BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 276 OF THE SFA, FOR THE INITIAL SIX MONTH PERIOD AFTER SUCH ACQUISITION TO PERSONS WHO ARE INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR TO ACCREDITED INVESTORS AND CERTAIN OTHER PERSONS (AS SET OUT IN SECTION 275 OF THE SFA). ANY TRANSFER AFTER SUCH INITIAL SIX MONTH PERIOD IN SINGAPORE SHALL BE MADE, PURSUANT TO THE REQUIREMENTS OF SECTION 257 OF THE SFA, IN RELIANCE ON ANY APPLICABLE EXEMPTION UNDER SUBDIVISION (4) OF DIVISION 1 OF PART XIII OF THE SFA.

IN ADDITION TO THE ABOVE, PURSUANT TO THE REQUIREMENTS OF SECTION 276(3) OF THE SFA, WHERE THE SECURITIES ARE ACQUIRED PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA BY A CORPORATION (OTHER THAN A CORPORATION THAT IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) WHOSE SOLE BUSINESS IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS EACH OF WHOM IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA), SECURITIES OF SUCH CORPORATION SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THE CORPORATION HAS ACQUIRED THE SECURITIES PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA UNLESS THAT TRANSFER IS MADE ONLY TO INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR RELEVANT PERSONS (AS DEFINED IN SECTION 275(2) OF THE SFA); OR ARISES FROM AN OFFER REFERRED TO IN SECTION 275(1A) OF THE SFA; OR NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR THE TRANSFER IS BY OPERATION OF LAW. THIS RESTRICTION DOES NOT APPLY TO SECURITIES PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED.

PURSUANT TO THE REQUIREMENTS OF SECTION 276(4) OF THE SFA, WHERE THE SECURITIES ARE ACQUIRED PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA FOR A TRUST (OTHER THAN A TRUST THE TRUSTEE OF WHICH IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA)) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN ACCREDITED INVESTOR (AS DEFINED IN SECTION 4A OF THE SFA), THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THE TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THE SECURITIES ARE ACQUIRED FOR THE TRUST PURSUANT TO AN OFFER MADE IN RELIANCE ON THE EXEMPTION UNDER SECTION 275 OF THE SFA UNLESS THAT TRANSFER IS MADE ONLY TO INSTITUTIONAL INVESTORS (AS DEFINED IN SECTION 4A OF THE SFA) OR RELEVANT PERSONS (AS DEFINED IN SECTION 275(2) OF THE SFA); OR ARISES FROM AN OFFER THAT IS MADE ON TERMS THAT SUCH RIGHTS OR INTEREST ARE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN $200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION, WHETHER SUCH AMOUNT IS TO BE PAID FOR IN CASH OR BY EXCHANGE OF SECURITIES OR OTHER ASSETS; OR NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR THE TRANSFER IS BY OPERATION OF LAW. THIS RESTRICTION DOES NOT APPLY TO SECURITIES PREVIOUSLY MADE IN OR ACCOMPANIED BY A PROSPECTUS AND WHICH ARE OF THE SAME CLASS AS OTHER SECURITIES OF A CORPORATION LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED.

NOTICE TO SWEDISH INVESTORS

THIS OFFICIAL STATEMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED WITH OR APPROVED BY THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY (*SW.* FINANSINSPEKTIONEN).

ACCORDINGLY, THIS OFFICIAL STATEMENT IS NOT INTENDED FOR AND MAY NOT BE MADE AVAILABLE TO THE PUBLIC IN SWEDEN. NOR MAY THE SECURITIES OTHERWISE BE MARKETED AND OFFERED FOR SALE, OTHER THAN UNDER CIRCUMSTANCES THAT ARE DEEMED NOT TO BE AN OFFER TO THE PUBLIC IN SWEDEN UNDER THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT (1991:980). NOTWITHSTANDING THE ABOVE, IF THE OFFER IS DEEMED AS AN OFFER TO THE PUBLIC IN SWEDEN, PLEASE NOTE THAT THE OFFER IS DIRECTED SOLELY TO QUALIFIED INVESTORS.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THIS OFFICIAL STATEMENT TOGETHER WITH THE ANY ACCOMPANYING DOCUMENTS DOES NOT CONSTITUTE AN ISSUE PROSPECTUS PURSUANT TO ART. 1156 AND ART. 652A OF THE SWISS FEDERAL CODE OF OBLIGATIONS. THE SECURITIES MAY NOT BE OFFERED TO THE PUBLIC IN OR FROM SWITZERLAND, BUT ONLY TO A SELECTED AND LIMITED CIRCLE OF INVESTORS. THIS OFFICIAL STATEMENT TOGETHER WITH ANY ACCOMPANYING DOCUMENTS AND ANY OTHER SUPPLEMENT HERETO ARE PERSONAL TO EACH OFFEREE AND DO NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON. THIS OFFICIAL STATEMENT TOGETHER WITH ANY ACCOMPANYING DOCUMENTS MAY ONLY BE USED BY THOSE PERSONS TO WHOM THEY HAVE BEEN DISTRIBUTED IN CONNECTION WITH THE OFFERING OF THE SECURITIES AND MAY NEITHER BE COPIED NOR DIRECTLY OR INDIRECTLY BE DISTRIBUTED NOR BE MADE AVAILABLE TO OTHER PERSONS WITHOUT THE EXPRESS PRIOR WRITTEN CONSENT OF THE ISSUER.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE SECURITIES HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN AND THE SECURITIES, INCLUDING ANY COPY OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENTS RELATING TO THE SECURITIES, MAY NOT BE OFFERED, SOLD, DELIVERED OR DISTRIBUTED WITHIN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE PRIOR REGISTRATION WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. TAIWAN INVESTORS WHO SUBSCRIBE AND PURCHASE THE SECURITIES SHALL COMPLY WITH ALL RELEVANT SECURITIES, TAX AND FOREIGN EXCHANGE LAWS AND REGULATIONS IN EFFECT IN TAIWAN.

NOTICE TO PROSPECTIVE INVESTORS IN THE KINGDOM OF THAILAND

WARNINGS:

PRIOR TO MAKING AN INVESTMENT DECISION, INVESTORS SHOULD EXERCISE THEIR OWN JUDGMENT WHEN CONSIDERING INFORMATION RELATING TO A PARTY ISSUING SECURITIES OR BONDS AS WELL AS THE TERMS AND CONDITIONS OF THE SECURITIES OR BONDS, INCLUDING THE SUITABILITY OF SUCH SECURITIES OR BONDS FOR INVESTMENT AND THEIR RELEVANT RISK EXPOSURE. NOTHING IN THE OFFICIAL STATEMENT SHOULD BE READ TO REPRESENT OR EVEN SUGGEST THAT THE SECURITIES AND EXCHANGE COMMISSION OR THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION HAVE RECOMMENDED INVESTMENT IN THE OFFERED SECURITIES OR BONDS; NOR DOES THE OFFICIAL STATEMENT CONTAIN ANY ASSURANCE IN RELATION TO THE VALUE OR RETURNS ON THE OFFERED SECURITIES OR BONDS; NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION CERTIFIED THE ACCURACY AND COMPLETENESS OF INFORMATION CONTAINED IN THE OFFICIAL STATEMENT. THE LIABILITY FOR CERTIFICATION OF THE ACCURACY AND COMPLETENESS OF INFORMATION CONTAINED IN THE OFFICIAL STATEMENT IS VESTED IN THE OFFEROR OF THE SECURITIES OR BONDS.

IF THE OFFICIAL STATEMENT CONTAINS ANY FALSE STATEMENTS OR OMITS TO STATE ANY MATERIAL INFORMATION WHICH SHOULD HAVE BEEN DISCLOSED, THE SECURITIES OR

BOND HOLDERS SHALL BE ENTITLED TO CLAIM DAMAGES FROM THE SECURITIES OR BOND OFFEROR OR THE SECURITIES OR BOND OWNERS PURSUANT TO SECTION 82 OF THE SECURITIES AND EXCHANGE ACT B.E. 2535 (1992) WITHIN ONE YEAR FROM THE DATE ON WHICH THE FACT THAT THIS OFFICIAL STATEMENT CONTAINED FALSE INFORMATION BECOMES KNOWN OR SHOULD HAVE BEEN KNOWN, BUT NOT EXCEEDING TWO YEARS FROM THE DATE THE OFFICIAL STATEMENT WAS DELIVERED TO THE BOND OR SECURITIES HOLDERS.

RISKS AND RESTRICTIONS:

IN RESPECT OF INVESTING IN SECURITIES OR BONDS OFFERED IN THAILAND BY A FOREIGN OFFEROR, INVESTORS SHALL BE ENTITLED TO RIGHTS AND PROTECTIONS SIMILAR IN NATURE TO THOSE PROVIDED BY ANY FOREIGN JURISDICTION TO INVESTORS MAKING DIRECT INVESTMENTS IN THE SECURITIES OR BONDS OFFERED. ACCORDINGLY, INVESTORS ARE STRONGLY ENCOURAGED TO REVIEW AND UPDATE THEMSELVES ON THE PERTINENT LAWS AND REGULATIONS OF THE FOREIGN OFFEROR'S HOME JURISDICTION AND OF ANY JURISDICTION WHERE THE SECURITIES OR BONDS OF THE FOREIGN OFFEROR ARE TRADED ON AN EXCHANGE.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED ARAB EMIRATES

THE OFFICIAL STATEMENT HAS NOT BEEN REVIEWED, APPROVED OR LICENSED BY THE UAE CENTRAL BANK OR ANY OTHER RELEVANT LICENSING AUTHORITIES OR GOVERNMENTAL AGENCIES IN THE UNITED ARAB EMIRATES. THIS OFFICIAL STATEMENT IS STRICTLY PRIVATE AND CONFIDENTIAL AND HAS NOT BEEN REVIEWED, DEPOSITED OR REGISTERED WITH ANY LICENSING AUTHORITY OR GOVERNMENTAL AGENCY IN THE UNITED ARAB EMIRATES, AND IS BEING ISSUED TO A LIMITED NUMBER OF INSTITUTIONAL OR PRIVATE INVESTORS AND MUST NOT BE PROVIDED TO ANY PERSON OTHER THAN THE ORIGINAL RECIPIENT AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE. THE SECURITIES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY TO THE PUBLIC IN THE UNITED ARAB EMIRATES.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT BANKING ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

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SUMMARY OF TERMS

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

Issuer	The New York City Transitional Finance Authority (the "Authority") is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the "State").
Statutory Authorization	The Authority was created by the New York City Transitional Finance Authority Act (the "Enabling Act"). The Enabling Act became effective March 5, 1997, and provided for the issuance of bonds for general capital purposes of The City of New York (the "City"), the payment of bonds from Tax Revenues (which consist of Personal Income Taxes and Sales Taxes (to the extent required)), and statutory and contractual covenants of the Authority, the City and the State. The Enabling Act currently permits the Authority to have outstanding $13.5 billion of Future Tax Secured Bonds and to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds outstanding, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. In addition, the Enabling Act permits the Authority to have outstanding up to $2.5 billion of bonds and notes to pay costs related to or arising from the September 11 attack on the World Trade Center. In 2006, the Enabling Act was also amended pursuant to Part A-3 of Chapter 58 of the Laws of New York, 2006 (the "School Financing Act"). The School Financing Act authorizes the Authority to issue Bonds, Notes or other obligations in an amount outstanding of up to $9.4 billion to finance a portion of the City's five-year educational facilities capital plan (the "Five-Year Plan") and authorizes the City to assign to the Authority all or any portion of the State aid payable to the City or its school district pursuant to subdivision 6 of Section 3602 of the State Education Law, or any successor provision of State law ("State Building Aid").
Purpose of Issue.......................	The proceeds of the $350,000,000 Building Aid Revenue Bonds, Fiscal 2011 Series S-1 will be used to pay a portion of the costs of one or more of the Five-Year Plans approved in accordance with Section 2590-p of the State Education Law, as amended (the "Education Law").
Securities Offered	The Series 2011 S-1 Bonds of the Authority are being issued pursuant to the School Financing Act and the Enabling Act, as amended (collectively, the "Act"), and the Amended and Restated Original Indenture, dated October 25, 2010, as supplemented (the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York, as trustee (the "Trustee"): $54,250,000 Building Aid Revenue Bonds, Fiscal 2011 Subseries S-1A (the "Tax-Exempt Bonds"); and $295,750,000 Building Aid Revenue Bonds, Fiscal 2011 Subseries S-1B (the "Build America Bonds" and, together with the Tax-Exempt Bonds, the "2011 S-1 Bonds"). The Series 2011 S-1 Bonds (along with all other Building Aid Revenue Bonds issued under the Indenture, the "Building Aid Revenue Bonds") are payable by the Authority from the State Building Aid, subject to annual appropriation by the

State, assigned by the City to the Authority and by the Authority to the Trustee. The Indenture permits the Authority to issue Notes and to enter into other obligations on a parity with the Building Aid Revenue Bonds (the "School Obligations"). See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS."

The Authority intends to make irrevocable elections to treat the Build America Bonds as "Build America Bonds" under Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), for which it will receive, pursuant to Sections 54AA(g) and 6431 of the Code, a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the Authority on the Build America Bonds. Such subsidy payment will not be pledged as security for the Build America Bonds. See "SECTION IV: THE SERIES 2011 S-1 BONDS."

Not Debt of State or City......... The Series 2011 S-1 Bonds are not a debt of either the State or the City, and neither the State nor the City shall be liable thereon. The State has no contractual relationship with the Authority and has no obligation, contractual or otherwise, to seek an appropriation of State Building Aid. The Building Aid Revenue Bonds do not constitute "State supported debt" (commonly known as "State appropriation debt") within the meaning of the State Finance Law. Therefore, the State will not be entering into any financing agreement or service contract, the principal terms of which would require the State to seek an annual appropriation and govern payments pursuant to such appropriation, in connection with the Building Aid Revenue Bonds.

Based on State and federal constitutional, statutory and case law and the terms of the Indenture, the Assignment and the Agreement (herein defined), Bond Counsel is of the opinion that the Authority is not eligible for protection from its creditors pursuant to Title II (the "Bankruptcy Code") of the United States Code; and if the debts of the City were adjusted under the Bankruptcy Code and the City or its creditors were to assert a right to the State Building Aid equal or prior to the rights of the Bondholders, such assertion would not succeed.

Security for Authority Indebtedness .... Recovery Obligations and Subordinate Bonds issued on a parity with Recovery Obligations (together, "Parity Debt"), Senior Bonds and other series of bonds and notes issued by the Authority secured by Tax Revenues are referred to herein as "Future Tax Secured Bonds." Pursuant to the Indenture, Future Tax Secured Bonds issued prior to the date of issuance of the Authority's Building Aid Revenue Bonds Fiscal 2007 Series S-1 dated November 16, 2006 (the "Series 2007 S-1 Bonds") will be payable in the first instance from Tax Revenues (which consist of Personal Income Taxes and (to the extent required) Sales Taxes) and, to the extent that Tax Revenues are insufficient, from State Building Aid. Future Tax Secured Bonds issued after the date of issuance of the Series 2007 S-1 Bonds, operating expenses allocable thereto and ancillary and swap contracts related thereto ("Post-07 S-1 Obligations") are secured only by Tax Revenues and will have no claim to State Building Aid. The payment of the Building Aid Revenue Bonds is subordinate to (i) the payment of debt service on Future Tax Secured Bonds issued prior to the date of issuance of the Series 2007 S-1 Bonds and (ii) operating expenses allocable thereto (collectively, the "Pre-07 S-1 Obligations").

Building Aid Revenue Bonds do not constitute Future Tax Secured Bonds, are not secured by Tax Revenues and are payable from State Building Aid subordinate to the payment of the Pre-07 S-1 Obligations. If Tax Revenues were not sufficient to pay the Pre-07 S-1 Obligations as well as Post-07 S-1 Obligations, State Building Aid would be applied to the payment of the Pre-07 S-1 Obligations and the amount of State Building Aid available for payment of the Building Aid Revenue Bonds would be reduced. The Authority expects that Tax Revenues will be sufficient to pay the Pre-07 S-1 Obligations and Post-07 S-1 Obligations. See "SECTION III: TAX REVENUES AVAILABLE FOR PAYMENT OF PRE-07 S-1 OBLIGATIONS— Debt Service Coverage."

The Authority has Outstanding $8,847,910,000 of Future Tax Secured Bonds issued as Pre-07 S-1 Obligations (including bonds that have been economically defeased and the maturity value of capital appreciation bonds), $8,582,045,000 of Future Tax Secured Bonds issued as Post-07 S-1 Obligations and $4,125,450,000 of Building Aid Revenue Bonds.

The Authority has no source of payment for the Building Aid Revenue Bonds other than State Building Aid, which is subject to annual appropriation of the State.

State Building Aid .... The Series 2011 S-1 Bonds (along with all other Building Aid Revenue Bonds) are payable from the State Building Aid subject to annual appropriation by the State, assigned by the City to the Authority, and by the Authority to the Trustee. State Building Aid is paid in support of education facilities in the State for the benefit of elementary and/or secondary school students.

Under the Assignment (herein defined), the City has assigned to the Authority all State Building Aid payable to the City since the date of the Assignment and all State Building Aid to be received in the future by the City. Under the Indenture, State Building Aid consists of Confirmed Building Aid and Incremental Building Aid. "Confirmed Building Aid" consists of State Building Aid statutorily required to be paid to the Authority with respect to projects approved by the New York State Education Department (the "SED"), subject to appropriation, but not to any other statutory or administrative conditions or approvals (other than annual State appropriation). Confirmed Building Aid is required to be calculated in accordance with the State Covenant and with the building aid ratios applicable to such projects at the date of calculation. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—State Building Aid." "Incremental Building Aid" consists of State Building Aid to be received in the future by the Authority for City educational building projects that are approved by the SED in the future. Requests for Incremental Building Aid are made on behalf of the City by application of the New York City School Construction Authority ("SCA") to the SED. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—State Building Aid."

State Appropriation................. Payment of State Building Aid is subject to annual appropriation by the State. If there is not sufficient money appropriated by the State to enable the Authority to pay the Building Aid Revenue Bonds on a timely basis, the State will not be liable to the Authority, the City or the Bondholders for any deficiency. There is no contractual relationship between the Authority and the State. The State has no obligation, contractual or otherwise, to seek an appropriation of State Building Aid. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Financial Condition of the State."

Financial Condition of the State	The payment of State Building Aid to the Authority is dependent in part upon the financial condition of the State. State budgetary restrictions could result in delays in the payment of or reductions in the amount of State Building Aid payable to the Authority. In the event that State education aid or assistance is reduced by the State in the future, such reduction could result in a diminished flow of State Building Aid to the Authority. The recent economic downturn and global financial crisis have had and are anticipated to continue to have an adverse impact on the State's financial condition and may adversely affect the amount and payment of State education aid to localities. Proposals to address State budget deficits have included reductions in State education aid to localities. In addition, the availability of State education aid and the timeliness of payment of State education aid to localities could be affected by a delay in the adoption of the State budget. In addition, State Building Aid is payable by the State from amounts held in the State's General Fund, upon which there are potential prior constitutional and statutory claims. Intercept of amounts held in the State's General Fund could result in a diminished flow of State Building Aid to the Authority. For information on the State, including the impact on the State of reduced projections of cash receipts resulting from recent economic developments, see "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Financial Condition of the State."
Assignment	Under an Assignment of State Aid (the "Assignment"), dated October 19, 2006, as amended, the City, acting through the Mayor, has assigned to the Authority all of the State Building Aid. Pursuant to the School Financing Act, the State Building Aid and the right to receive the State Building Aid are now the property of the Authority. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Assignment of State Building Aid."
Competing Claims to State Aid	The Authority's receipt of State Building Aid is expressly subject and subordinate under the School Financing Act to prior statutory claims on State education aid and assistance (1) under Section 99-b of the State Finance Law for the benefit of the holders of any defaulted bonds of the City issued for school purposes, (2) for the Municipal Bond Bank Agency for the payment of its bonds issued to satisfy prior claims of the City for amounts owed to the City under the Education Law and (3) for the New York City Educational Construction Fund to restore its Debt Service Reserve Fund relating to its outstanding bonds. In addition, the State may withhold or recover State education aid or assistance payable to the City for the City's failure to provide certain educational services (e.g., courses in special areas, certain number of instructional days, certain health services, services for handicapped students, administrative practices or willful disobedience of certain laws or directives), or to otherwise correct errors or omissions in apportionments of State education aid or assistance pursuant to subdivision 5 of Section 3604 of the Education Law as statutorily mandated. The foregoing statutory claims to State education aid and assistance and withholding or recovery of State education aid or assistance payable to the City are collectively referred to as "Competing Claims." The Authority does not expect that any such Competing Claims will materially reduce State Building Aid payable to the Authority. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Competing Claims to State Aid."

Memorandum of Understanding..........................	The State annually appropriates money to the City to pay for educational needs of the City's students ("Education Aid") pursuant to Section 3602 of the Education Law. A portion of such Education Aid constitutes State Building Aid apportioned pursuant to subdivision 6 of Section 3602 of the Education Law which is paid, together with certain other Education Aid, pursuant to Section 3609-a of the Education Law (the "General Education Aid Payments"). The City, the Authority, the SED and the New York State Comptroller (the "State Comptroller") entered into a Memorandum of Understanding, dated as of October 26, 2006 (the "MOU"), to determine the amount included in each General Education Aid Payment that is attributable to State Building Aid (the "Building Aid Payment"). Under the MOU, prior to each General Education Aid Payment, the Authority will calculate and certify to the SED, the State Comptroller and the Director of the Division of the Budget of the State the amount of the Building Aid Payment included in each General Education Aid Payment. In addition, the MOU provides that if permitted by applicable law, the State Comptroller shall satisfy any Competing Claims to Education Aid from Education Aid other than State Building Aid ("Other School Aid") first and, thereafter, from State Building Aid if the expected sources of funds for the payment of the Competing Claims from Other School Aid are unavailable or insufficient. Although the MOU sets forth the understanding of the City, the Authority, the SED and the State Comptroller as to the payment of State Building Aid and Other School Aid, the MOU will not be assigned to the Trustee or pledged as security for the Building Aid Revenue Bonds. While no assurance can be given that the MOU will be legally enforceable, the School Financing Act authorizes the assignment of State Building Aid by the City to the Authority and requires the payment of State Building Aid to the Authority following such assignment. See "SECTION II—SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Memorandum of Understanding" and "—Competing Claims to State Aid."
99-b State Aid Intercept...........	Section 99-b of the State Finance Law, as amended by the School Financing Act, provides that in the event a holder or owner of any Building Aid Revenue Bond, or other bond or note issued by the Authority or the City for school purposes, shall file with the State Comptroller a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and serve a copy thereof by registered mail upon the Comptroller of the City, the Chancellor of the school district of the City (the "Chancellor") and the chief fiscal officer of the Authority. Upon the filing of such a certificate in the office of the State Comptroller, the State Comptroller shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of Education Aid due to the City or its school district such amount thereof as may be required to pay the principal of and interest on the bonds or notes then in default. Education Aid so withheld shall be transferred by the State Comptroller to the paying agents for the bonds or notes so in default. Education Aid so applied pursuant to State Finance Law Section 99-b secures only bonds or notes issued for school purposes and does not secure other obligations of the Authority or the City. Section 99-b of the State Finance Law contains the covenant of the State with the Bondholders (among others) that it will not repeal, revoke or rescind the

provisions of Section 99-b of the State Finance Law or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby; but nothing in Section 99-b of the State Finance Law shall be deemed or construed as requiring the State to continue the payment of Education Aid or as limiting or prohibiting the State from repealing or amending any law relating to such State education aid or assistance, the manner and timing of payment or apportionment thereof, or the amount thereof. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—99-b State Aid Intercept."

State and City Covenants......... The Act and the Indenture contain the covenant of the State with the Bondholders (the "State Covenant") that the State shall not limit or alter the rights vested in the Authority by the Act to fulfill the terms of the Indenture, or in any way impair the rights and remedies of such holders or the security for the Bonds until such Bonds, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged. The State Covenant does not restrict the right of the State to amend, modify, repeal or otherwise alter statutes relating to State Building Aid subject to the Assignment. However, the State, under the School Financing Act and under the Indenture, covenants that State Building Aid shall in all events (i) continue to be so payable, as assigned to the Authority, so long as the State Building Aid is paid and (ii) continue to be calculated in accordance with the same formula used for such calculation, and otherwise on the same basis as such aid is calculated, on the date that an applicable project is approved for reimbursement from State Building Aid.

For more information regarding covenants of the State and City, see "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Agreements of the State and the City."

Additional Building Aid Revenue Bonds........................ The Authority expects that it will issue other Building Aid Revenue Bonds in the future. The Authority may from time to time request the authentication and delivery of an additional Series of Building Aid Revenue Bonds by providing to the Trustee, among other documents, an Officer's Certificate setting forth:

(i) Annual School Bond Debt Service, including debt service on such Series of Building Aid Revenue Bonds in each Series Fiscal Year; and

(ii) the Confirmed Building Aid payable in the Fiscal Year preceding each Series Fiscal Year, which shall be at least equal to the amount set forth in clause (i) for each Series Fiscal Year.

For purposes of the above certificate, each interest rate on Outstanding and proposed variable-rate Building Aid Revenue Bonds (if not economically fixed or otherwise offset by a Qualified Swap, a liquidity account, or otherwise with Rating Confirmation) shall be assumed at the maximum rate payable to investors other than parties to an ancillary contract. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Additional Building Aid Revenue Bonds."

Interest and Principal............... Interest on the Series 2011 S-1 Bonds will accrue from their dated date at the rates set forth on the inside cover page hereof and will be payable semiannually on January 15 and July 15 of each year, commencing July 15, 2011. The record

	date for payment of interest on the Series 2011 S-1 Bonds is the last business day of the calendar month immediately preceding the interest payment date. Principal will be due as shown on the inside cover page and herein. Interest on and principal of the Building Aid Revenue Bonds will be paid by the Authority from State Building Aid on deposit in the School Bond Account. State Building Aid shall be deposited into the School Bond Account in accordance with the retention schedule as described in "Retention Procedures" below.
Mandatory Redemption	The Build America Bonds maturing on July 15, 2025, 2030 and 2040, are subject to mandatory redemption, prior to maturity, as described herein. See "SECTION IV: THE SERIES 2011 S-1 BONDS—Mandatory Redemption."
Optional Redemption..............	The Tax-Exempt Bonds are not subject to redemption prior to their stated maturity dates. The Build America Bonds maturing on July 15, 2030 (the "Par Call Bonds") are subject to make-whole optional redemption on any date prior to July 15, 2020 at the option of the Authority in whole or in part. The Par Call Bonds are also subject to optional redemption at par prior to their stated maturity dates at the option of the Authority, in whole or in part on any date on or after July 15, 2020 as described herein. See "SECTION IV: THE SERIES 2011 S-1 BONDS—Optional Redemption—*Optional Redemption of Par Call Bonds.*" The Build America Bonds (other than the Par Call Bonds) are subject to make-whole optional redemption prior to their stated maturity dates at the option of the Authority, in whole or in part on any date as described herein. See "SECTION IV: THE SERIES 2011 S-1 BONDS—Optional Redemption—*Optional Redemption of Build America Bonds (other than Par Call Bonds)*." The Build America Bonds are subject to extraordinary optional redemption prior to their stated maturity dates at the option of the Authority, in whole or in part on any date as described herein. See "Section IV: The Series 2011 S-1 Bonds—Optional Redemption—*Extraordinary Optional Redemption of Build America Bonds.*"
Collection Account.................	All Revenues (consisting primarily of Tax Revenues and State Building Aid) received by the Authority shall be promptly deposited into the Collection Account within which there are created a Tax Revenue Subaccount and a Building Aid Subaccount. Any Tax Revenues received by the Authority shall be promptly deposited into the Tax Revenue Subaccount. Tax Revenues do not secure the Building Aid Revenue Bonds. The City has assigned all of the State Building Aid to the Authority pursuant to the Assignment, and the Authority and the City have requested the State Comptroller to make payments of State Building Aid to the Trustee. Any State Building Aid received by the Authority or the Trustee shall be promptly deposited in the Building Aid Subaccount.
Application of State Building Aid	State Building Aid in the Building Aid Subaccount of the Collection Account shall be applied in the following order of priority, as implemented in part by the Retention Procedures: first, to Pre-07 S-1 Senior Debt (to the extent that Tax Revenues are insufficient); second, to the Authority's operating expenses (to the extent that Tax Revenues are insufficient), which may include reserves but excluding operating expenses properly allocable to Post-07 S-1 Senior Debt and

	Post-07 S-1 Parity Debt; third, to Pre-07 S-1 Parity Debt (to the extent that Tax Revenues are insufficient) and then to the payment of Building Aid Revenue Bonds and other School Obligations; and fourth, daily or as soon as practicable but no later than the last day of each month, to the order of the City, free and clear of the lien of the Indenture.
Retention Procedures..............	To provide for the timely payment of School Obligations (including the Series 2011 S-1 Bonds) subject to the rights of the Holders of Pre-07 S-1 Obligations, money in the Building Aid Subaccount shall be retained therein until transferred as follows: (1) at any time, to the Pre-07 S-1 Senior Subaccount or the Pre-07 S-1 Parity Subaccount, in that order of priority, to pay Pre-07 S-1 Senior Bonds or Pre-07 S-1 Parity Debt then due and not otherwise provided for; (2) in the first month of each Collection Quarter, (a) to the School Bond Account, beginning the first day when (i) the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and (ii) the Remaining Building Aid is not more than 110% of the Unfunded Balance (as defined below), and continuing until the earlier of (x) the end of the month and (y) the day when the Unfunded Balance is zero; and (b) to the order of the City, if no transfer to the School Bond Account is required, beginning the first day when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and continuing until the end of the month; and (3) in the second and third months of each Collection Quarter, (a) to the School Bond Account, beginning the first day when (i) the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their Full Requirements and (ii) the Remaining Building Aid is not more than 110% of the Unfunded Balance, and continuing until the earlier of (x) the end of the Collection Quarter and (y) the day when the Unfunded Balance is zero; (b) to the order of the City, if no transfer to the School Bond Account is required, beginning when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount are funded to their Full Requirements and continuing until the end of the Collection Quarter; and (c) on the last Business Day of the Collection Quarter, to the Pre- 07 S-1 Senior Subaccount and then the Pre-07 S-1 Parity Subaccount until both of them have been funded to their Full Requirements; then to the School Bond Account, if the Remaining Building Aid is not more than 110% of the Unfunded Balance, until the Unfunded Balance is zero; and then to the order of the City.

	"Unfunded Balance," with respect to the State Building Aid, means Annual School Bond Debt Service remaining to be paid in a fiscal year, plus Annual School Bond Debt Service for the following fiscal year, minus the amount held in the School Bond Account, but not less than zero.
Defeasance..............................	The Authority will have the ability to defease any Bonds under the Indenture by depositing Defeasance Collateral with a trustee to provide for payment of principal, interest and premium, if any, thereon. See "SECTION IV: THE SERIES 2011 S-1 BONDS—Defeasance."
Tax Matters.............................	In the opinion of Fulbright & Jaworski L.L.P., Bond Counsel to the Authority, interest on the Series 2011 S-1 Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City, and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Tax-Exempt Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes. Interest on the Build America Bonds will be includable in the gross income of the owners thereof for federal income tax purposes. See "SECTION VII: TAX MATTERS."
Ratings....................................	The Series 2011 S-1 Bonds are rated "AA-" by Standard & Poor's Ratings Services ("Standard & Poor's"), "Aa3" by Moody's Investors Services, Inc. ("Moody's") and "AA-" by Fitch Ratings ("Fitch").
Trustee....................................	The Bank of New York Mellon, New York, New York, acts as the Authority's trustee.
Authority Contact	Mr. Raymond Orlando Phone Number: (212) 788-5875 Email: Orlandor@omb.nyc.gov

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SECTION I: INTRODUCTION

This Official Statement of the New York City Transitional Finance Authority (the "Authority") sets forth information concerning the Authority, The City of New York (the "City") and the State of New York (the "State") in connection with the sale of the Authority's:

$54,250,000 Building Aid Revenue Bonds, Fiscal 2011 Subseries S-1A Tax-Exempt Bonds (the "Tax-Exempt Bonds"); and

$295,750,000 Building Aid Revenue Bonds, Fiscal 2011 Subseries S-1B Taxable Bonds (the "Build America Bonds" and, together with the Tax-Exempt Bonds, the "Series 2011 S-1 Bonds").

Provided certain statutory and contractual conditions are met, other series of Bonds on a parity with the Series 2011 S-1 Bonds may be issued. The Series 2011 S-1 Bonds together with other series of Building Aid Revenue Bonds issued under the Indenture are referred to as "Building Aid Revenue Bonds." In addition, the Indenture permits the Authority to issue Notes and to enter into other obligations on a parity with the Building Aid Revenue Bonds (collectively, the "School Obligations"). See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Additional Building Aid Revenue Bonds."

The Authority is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State. The Authority was created by Chapter 16 of the Laws of New York, 1997 (the "Enabling Act"). The Enabling Act became effective March 5, 1997, and provided for the issuance of Bonds for general capital purposes of the City, the payment of such Bonds from the Tax Revenues (which consist of Personal Income Taxes and, to the extent required, Sales Taxes), and statutory and contractual covenants of the Authority, the City and the State. The Enabling Act currently permits the Authority to have outstanding $13.5 billion of Future Tax Secured Bonds and to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds outstanding, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. In addition, the Enabling Act permits the Authority to have outstanding up to $2.5 billion of bonds and notes to pay costs related to or arising from the September 11 attack on the Word Trade Center.

In 2006, the Enabling Act was amended pursuant to Part A-3 of Chapter 58 of the Laws of New York, 2006 (the "School Financing Act"). The School Financing Act authorizes the Authority to issue bonds, notes or other obligations in an amount outstanding of up to $9.4 billion to finance a portion of the City's five-year educational facilities capital plan (the "Five-Year Plan") and authorizes the City to assign to the Authority all or any portion of the State aid payable to the City or its school district pursuant to subdivision 6 of Section 3602 of the State Education Law, or any successor provision of State law ("State Building Aid"). The City has assigned all the State Building Aid to the Authority.

The Series 2011 S-1 Bonds are being issued by the Authority pursuant to the School Financing Act and the Enabling Act, as amended (collectively, the "Act"), and the Amended and Restated Original Indenture, dated October 25, 2010, as supplemented (the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York, as trustee (the "Trustee"). The Series 2011 S-1 Bonds (along with all other Building Aid Revenue Bonds issued under the Indenture) are payable from the State Building Aid, subject to annual appropriation by the State, assigned by the City to the Authority and by the Authority to the Trustee. The payment of State education aid of which State Building Aid is a part is subject and subordinate to certain prior statutory claims. Payment of State revenues of which State education aid is a part is also subject and subordinate to State constitutional claims. The payment of State Building Aid is dependent in part upon the financial condition of the State. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Financial Condition of the State."

Recovery Obligations and Subordinate Bonds issued on a parity with Recovery Obligations (together, "Parity Debt"), Senior Bonds and other series of bonds and notes issued by the Authority secured by Tax Revenues are referred herein as "Future Tax Secured Bonds." Pursuant to the Indenture, Future Tax Secured Bonds issued prior to the date of issuance of the Authority's Building Aid Revenue Bonds, Fiscal Series 2007 S-1 dated November 16, 2006 (the "Series 2007 S-1 Bonds") will be payable in the first instance from Tax Revenues (which consist of Personal Income Taxes and (to the extent required) Sales Taxes) and to the extent that Tax Revenues are insufficient, from State Building Aid. Future Tax Secured Bonds issued after the date of issuance of the Series 2007 S-1 Bonds, operating expenses allocable thereto and ancillary and swap contracts related thereto (the "Post-07 S-1 Obligations") are secured only by Tax Revenues and will have no claim on State Building Aid. The payment of the Building Aid Revenue Bonds is subordinate to (i) the payment of debt service on Future Tax Secured Bonds issued prior to the date of issuance of the Series 2007 S-1 Bonds and (ii) operating expenses allocable thereto (collectively, the "Pre-07 S-1 Obligations"). A summary of certain provisions of the Indenture and the Agreement, including defined terms used therein and in this Official Statement, is contained in "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

Pursuant to an Assignment of State Aid (the "Assignment"), dated October 19, 2006, as amended, the City, acting through the Mayor, has assigned to the Authority all of the State Building Aid, and, pursuant to the School Financing Act, State Building Aid and the right to receive the State Building Aid are now the property of the Authority. State Building Aid constitutes a portion of State education aid and assistance annually appropriated by the State of New York (the "State") to the City. Pursuant to a Memorandum of Understanding (the "MOU"), dated as of October 26, 2006, among the City, the Authority, the New York State Education Department (the "SED") and the New York State Comptroller (the "State Comptroller"), the Authority will calculate and certify to the SED the amount of each payment of State education aid and assistance that is attributable to State Building Aid. In addition, the State Comptroller has agreed under the MOU, if permitted under applicable law, to pay competing claims from State education aid and assistance other than State Building Aid.

The factors affecting the Authority and the Building Aid Revenue Bonds described throughout this Official Statement are complex and are not intended to be described in this Introduction. This Official Statement should be read in its entirety. Capitalized terms not otherwise defined in this Official Statement are defined in "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS

General

The Series 2011 S-1 Bonds are to be issued by the Authority as Building Aid Revenue Bonds. Interest on and principal of the Building Aid Revenue Bonds are payable from the State Building Aid assigned to the Authority, subordinate to the payment of the Pre-07 S-1 Obligations. State Building Aid shall only be applied to make payment of the Pre-07 S-1 Obligations in the event that Tax Revenues consisting of Personal Income Taxes and Sales Taxes are insufficient therefor. Building Aid Revenue Bonds are not secured by Tax Revenues. If Tax Revenues were not sufficient to pay Pre-07 S-1 Obligations as well as Post-07 S-1 Obligations, State Building Aid would be applied to the payment of Pre-07 S-1 Obligations and the amount of State Building Aid available for the payment of the Building Aid Revenue Bonds would be reduced. The Authority expects that Tax Revenues will be sufficient to pay the Pre-07 S-1 Obligations and Post-07 S-1 Obligations. See "SECTION III: TAX REVENUES AVAILABLE FOR PAYMENT OF PRE-07 S-1 OBLIGATIONS—Tax Revenues and Debt Service Coverage."

The Authority has Outstanding $8,847,910,000 of Future Tax Secured Bonds issued as Pre-07 S-1 Obligations (including bonds that have been economically defeased and the maturity value of capital appreciation bonds), $8,582,045,000 of Future Tax Secured Bonds issued as Post-07 S-1 Obligations and $4,125,450,000 of Building Aid Revenue Bonds.

The Authority does not have any significant assets or sources of funds other than Tax Revenues and State Building Aid and amounts on deposit pursuant to the Indenture. The Authority has no source of payment for the Building Aid Revenue Bonds other than State Building Aid and, in the case of the Build America Bonds, the federal subsidies described below. See "— Financial Condition of the State."

The Authority also derives Revenues from federal subsidies with respect to Build America Bonds and Qualified School Construction Bonds under the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), but such Revenues are not pledged to the Holders of the Series 2011 S-1 Bonds. For a description of the application of such federal subsidies under the Indenture, see "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

Payment of State Building Aid is subject to annual appropriation by the State. If there is not sufficient money appropriated to enable the Building Aid Revenue Bonds to be paid on a timely basis, the State will not be liable to the Authority, the City or the Bondholders for any deficiency. The State has no contractual relationship with the Authority and has no obligation, contractual or otherwise, to seek an appropriation of State Building Aid. The Building Aid Revenue Bonds do not constitute "State Supported Debt" (commonly known as "State Appropriation Debt") within the meaning of the State Finance Law and, therefore, the State will not be entering into any financing agreement or service contract in connection with the Building Aid Revenue Bonds.

Bonds of the Authority are not guaranteed by the City or the State. The Authority's bonds are not debt of the State or the City and neither the State nor the City shall be liable thereon.

Pursuant to Section 99-b of the State Finance Law, as amended by the School Financing Act, in the event a holder or owner of any Building Aid Revenue Bond, or other bond or note issued by the Authority or the City for school purposes, shall file with the State Comptroller a verified statement describing such bond or note and alleging default in its payment, the State Comptroller shall immediately investigate the default and prepare and file in his office a certificate setting forth his determinations with respect thereto. Upon the filing of such a certificate, the State Comptroller shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of State education aid or assistance due to the City or its school district such amount thereof as may be required to make the payment of the principal of and interest on the bonds or notes then in default. State education aid or assistance so withheld shall be transferred by the State Comptroller to the Authority's or the City's paying agent. See "—99-b State Aid Intercept."

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

Assignment of State Building Aid

Pursuant to the School Financing Act, the State has authorized the Authority to issue bonds, notes and other obligations in an amount outstanding up to $9.4 billion to finance a portion of the Five-Year Plan and authorized the City to assign to the Authority all or any portion of the State Building Aid. The City, acting through the Mayor, pursuant to the Assignment has assigned to the Authority all of the State Building Aid and, pursuant to the School Financing Act, the State Building Aid and the right to receive the State Building Aid are now the property of the Authority.

Under the provisions of the Assignment, the City has covenanted to preserve, protect and confirm the interest of the Authority and the Trustee (for the benefit of Bondholders) in the State Building Aid. Furthermore, under the Assignment, the City has covenanted to comply and cause the SCA (herein defined) to comply with the State Education Law (the "Education Law") in all respects material to State Building Aid, or in the event of a claim by Bondholders pursuant to Section 99-b of the State Finance Law, to State education aid or assistance. See "—State Building Aid" and "—99-b State Aid Intercept." The City has also agreed under the Assignment to file or cause to be filed timely and appropriate claims of State Building Aid in respect of all material aidable outlays and diligently prosecute such claims on behalf of the Authority. Furthermore, under the Assignment, the City has agreed to cooperate with the Authority and the Trustee in contesting any competing claim to any portion of the State Building Aid, or the Bondholders (if proceeding under Section 99-b of the State Finance Law) against any competing claim based (i) under the Education Law, (ii) on disallowance regarding prior aid funds distributed to the City or (iii) the City's failure to make any payments or comply with other constitutional or statutory mandate. The City has also agreed to promptly pay over to the Trustee any State Building Aid received by the City, including any material amount of State Building Aid diverted from the Authority on account of certain competing claims. See "— Competing Claims to State Aid."

Memorandum of Understanding

The State annually appropriates money to pay for educational needs of the City's students ("Education Aid") pursuant to Section 3602 of the Education Law. A portion of such Education Aid constitutes State Building Aid apportioned pursuant to subdivision 6 of Section 3602 of the Education Law which is paid, together with certain other Education Aid, pursuant to Section 3609-a of the Education Law (the "General Education Aid Payments"). The City, the Authority, New York State Education Department (the "SED") and the State Comptroller have entered into the MOU to determine the amount included in each General Education Aid Payment that is attributable to State Building Aid (the "Building Aid Payment").

Under the MOU, the SED shall provide to the Authority, on each date that the SED provides vouchers to the State Comptroller for a General Education Aid Payment to the City (the date of such payment being a "Payment Date"), a schedule (the "Schedule") setting forth the apportionment of Education Aid calculated by the SED pursuant to the opening paragraph of Section 3609-a of the Education Law ("Money Apportioned"), the total apportionment of State Building Aid for the then-current school year and the amount of the General Education Aid Payment payable to the City or the Authority on the Payment Date. Upon receipt of the Schedule, the Authority shall deliver to the SED, the State Comptroller and the Director of the Division of the Budget of the State, a certification (the "TFA Certification") specifying the amount of the Building Aid Payment attributable to the then-current school year to be paid to the Authority on the Payment Date.

For each General Education Aid Payment payable to the City prior to June 1 of the then-current school year, the Authority shall determine the amount of the Building Aid Payment due on any Payment Date by deducting the amount of the Building Aid Payments attributable to the then-current school year paid to the Authority during such school year prior to such Payment Date from an amount calculated by multiplying (x) the percentage that total annual State Building Aid bears to the Money Apportioned for such school year by (y) the total of the General Education Aid Payments payable to the City or the Authority for the then-current school year paid and payable to the Authority and the City during such school year up to and including such Payment Date. The calculations described in the previous sentence will be based on the information provided by the SED in the Schedule. For the General Education Aid Payment payable to the City in June of the then-current school year, the Authority shall determine the amount of the Building Aid Payment attributable to the then-current school year due on such Payment Date by deducting the amount of the Building Aid Payments attributable to the then-current school year paid to the Authority during such school year prior to such Payment Date from the State Building Aid for such school year.

After the Authority delivers the TFA Certification to the SED, the SED shall deliver to the State Comptroller the Certification together with a written certificate (the "SED Certification") (i) that the sum of the Building Aid Payments attributable to the then-current school year paid or to be paid to the Authority through the Payment Date as set forth in the TFA Certification, does not exceed the total amount of State Building Aid apportioned on account of City educational facilities for the then-current school year and (ii) that the Building Aid Payment has been calculated in a manner consistent with the above paragraph. If the SED is unable to make the SED Certification, it will deliver an alternative written certification (the "SED Alternate Certification") to the State Comptroller specifying the amount of such State Building Aid payable for the then-current school year by deducting the amount of the Building Aid Payments attributable to the then-current school year paid to the Authority prior to such Payment Date from the State Building Aid for such school year (the "Remaining Building Aid Payment").

Upon receipt at least one business day prior to the Payment Date of (i) the TFA Certification and the Adjustment Certification (if any) described below and (ii) the SED Certification or SED Alternative Certification, and if funds are available and payment is authorized by law, such Building Aid Payment or Remaining Building Aid Payment, as the case may be, adjusted in accordance with the Adjustment Certificate, if any, shall be paid by the State Comptroller to the Authority's trustee, and the State Comptroller shall provide notice of such payment to the SED. If the TFA Certification and either the SED Certification or the SED Alternative Certification are not received prior to the Payment Date, then the entire amount of the General Education Aid Payment (less any adjustments unrelated to the MOU) shall be paid to the City.

If at the end of any school year, Building Aid Payments calculated to be payable to the Authority remain unpaid, such Building Aid Payments shall be paid from the next General Education Aid Payment.

After final review by the SED of the City's apportionment for State Building Aid for any school year, the SED shall notify the City and the Authority of the amount of such State Building Aid for such School Year.

If unpaid Building Aid Payments for a school year are payable in the next school year or if the amount specified by the SED pursuant to the preceding paragraph is not equal to the amount of total annual State Building Aid verified to the Authority in June of such school year, the Authority shall deliver a certification to the SED (the "Adjustment Certification") stating the amount of increase or decrease in the next Building Aid Payment calculated for the then-current school year necessary to reflect such change, and shall identify the school year to which each such increase or decrease is attributable. The SED shall deliver to the State Comptroller, at least one business day prior to the next Payment Date, the Adjustment Certification together with a SED Certification that the increase or decrease in the Building Aid Payment set forth in the Adjustment Certification has been calculated in a manner that is consistent with the MOU.

The MOU provides that if permitted by applicable law the State Comptroller shall satisfy any Competing Claims to Education Aid from Education Aid other than State Building Aid ("Other School Aid") first and, thereafter, from State Building Aid if the expected sources of funds for the payment of the competing claims from Other School Aid are unavailable or insufficient. "Competing Claims" include all claims to, and diversions, reductions and withholdings of, Education Aid adverse to the Authority, such as: (x) claims of (i) holders of general obligation bonds of the City issued for school purposes; (ii) holders of the State of New York Municipal Bond Bank Agency Special School Purpose Revenue Bonds; and (iii) holders of the New York City Educational Construction Fund Revenue Bonds; and (y) State withholdings or recoveries of Education Aid for the City's failure to provide certain educational services (e.g., courses in special areas, a certain number of instructional days, certain health services, services for handicapped students, administrative practices or willful disobedience of certain laws or directives) or to otherwise correct errors or omissions in the apportionments of Education Aid pursuant to subdivision 5 of section 3604 of the Education Law, as statutorily mandated. See "—Competing Claims to State Aid."

Although the MOU sets forth the understanding of the City, the Authority, the SED and the State Comptroller as to the payment of State Building Aid, the MOU will not be assigned to the Trustee or pledged as security for the Building Aid Revenue Bonds. While no assurance can be given that the MOU will be legally enforceable, the School Financing Act authorizes the assignment of State Building Aid by the City to the Authority and requires the payment of State Building Aid to the Authority following such assignment.

State Building Aid

General

Pursuant to Article XI of the New York State Constitution, the State is obligated to provide for maintenance and support of a system of free common schools, wherein all the children of the State may be educated.

State Building Aid is provided, in accordance with subdivision 6 of Section 3602 of the Education Law, as a means for assisting local school districts with the cost of constructing and improving suitable and adequate elementary and/or secondary education facilities. To this end, new facilities, additions and major alterations eligible for State Building Aid must meet specific standards pertaining to functionality, building code requirements, and health and safety regulations.

The following table shows historic State Building Aid received as a result of City education projects for fiscal years 2000 through 2010:

HISTORIC STATE BUILDING AID

Fiscal Year	**State Building Aid (millions)**
2000	$249.7
2001	391.5[(1)]
2002	425.2[(1)]
2003	389.7
2004	410.8
2005	440.1
2006	503.4
2007	587.5
2008	699.5
2009	757.2
2010	839.1

(1) The increase in State Building Aid in fiscal years 2001 and 2002 is largely attributable to the City's use of pay-as-you-go capital in fiscal years 2000 through 2002, the full amount of which was aided in fiscal years 2001 and 2002. Subsequently, the Education Law was changed to provide that projects paid for with pay-as-you-go capital would be aided over a 30-year period rather than in one fiscal year.

Aidable Debt Service

The City, acting through the SCA, submits projects from its educational facilities capital plan to the SED for review and approval on a project-by-project basis. The SED approval process establishes the amount of project costs that qualify for State Building Aid reimbursement and establishes, for approved projects, a schedule of "Aidable Debt Service" based on an assumed amortization schedule. For projects that are funded from bond financing or "pay-as-you-go" capital, the Aidable Debt Service schedule represents an amortization of the qualified project cost over a 30-year period with level annual debt service payments based upon an assumed interest rate. For leased facilities, the Aidable Debt Service schedule represents the actual lease payments for the actual term of the lease. No later than September 1st of each year, the City Comptroller provides to the SED the average interest rate on all capital debt incurred by the City for school purposes (or incurred by the Authority if no such capital debt is incurred by the City) during the prior fiscal year. Upon approval of the Commissioner of SED, this rate serves as the final assumed interest rate used by the SED to recalculate the Aidable Debt Service for projects approved in the prior fiscal year, as well as the preliminary assumed interest rate used to calculate Aidable Debt Service for projects approved in the then-current fiscal year.

The SED determines the amount of State Building Aid apportioned and payable to the City every year for approved projects by multiplying the applicable building aid ratio (the "Selected Building Aid Ratio") for such year, as described below, by such projects' Aidable Debt Service for such year. The Selected Building Aid Ratios vary depending on when particular groups of projects were approved by the Chancellor of Education of the City (the "Chancellor"). Various factors are taken into account by the SED in determining the Selected Building Aid Ratios, including the Calculated Building Aid Ratio and the Incentive Aid Ratio as described below.

Building Aid Ratios

Calculated Building Aid Ratio. Pursuant to subdivision 6 of Section 3602 of the State Education Law, the SED calculates a new building aid ratio for every year for each school district in the State (the "Calculated Building Aid Ratio"). The Calculated Building Aid Ratio determined every year is derived from a statutory formula based largely upon school district wealth factors that are determined based on a school district's property value per pupil in relation to the Statewide property value per pupil. Wealth equalizing features of the formula cause a school district's Calculated Building Aid Ratio to increase as its property value per pupil decreases relative to school districts in the State overall. The following table shows the City's Calculated Building Aid Ratio.

CALCULATED BUILDING AID RATIO

Fiscal Year	**Calculated Building Aid Ratio**
2000	52.6%
2001	53.2
2002	52.3
2003	52.2
2004	51.7
2005	50.8
2006	52.2
2007	52.7
2008	50.5
2009	49.8
2010	51.1
2011	48.7[1]

(1) Projected.

Projects may also qualify each year for additional apportionment of State Building Aid in the form of Incentive Aid and/or through the application of a High Need Building Aid Ratio depending upon when such projects were first approved by the Chancellor.

Incentive Aid Ratio. All projects approved by the Chancellor on or after July 1, 1998 are eligible for an additional apportionment of State Building Aid ("Incentive Aid"). Incentive Aid equals the product of Aidable Debt Service and an incentive decimal computed for use in the year in which a project was approved. The incentive decimal (the "Incentive Aid Ratio") for the City is currently 10%.

High Need Building Aid Ratio. Projects approved by the Chancellor on or after July 1, 2005 qualify for additional apportionment of State Building Aid through the application of a high-need supplemental building aid ratio (the "High Need Building Aid Ratio"). The High Need Building Aid Ratio is equal to the lesser of (i) the product (computed to three decimals without rounding) of the Selected Building Aid Ratio (as described below) multiplied by five percent, or (ii) the positive remainder of ninety-eight one hundredths less the Selected Building Aid Ratio. For the City, the High Need Building Aid Ratio is equal to the product of the Selected Building Aid Ratio multiplied by five percent.

Selected Building Aid Ratio. Although the Calculated Building Aid Ratio is determined by the SED every year, the specific Selected Building Aid Ratio utilized to compute State Building Aid payable to the City in each year for projects is the higher of the Calculated Building Aid Ratio for such year (plus the Incentive Aid Ratio, if applicable) or a prior year building aid ratio applicable to the City (plus the Incentive Aid Ratio, if applicable). The particular prior year building aid ratio applicable to projects is dependent upon the year in which such projects were first approved by the Chancellor.

For projects approved by the Chancellor prior to fiscal year 1999, the Selected Building Aid Ratio applied every year is currently the higher of the City's Calculated Building Aid Ratio and the City's highest Calculated

Building Aid Ratio since fiscal year 1982, which is 54.7%. The Selected Building Aid Ratio for such projects for fiscal year 2010 is 54.7%. The projected Selected Building Aid Ratio for such projects for fiscal year 2011 is 54.7%.

Projects approved by the Chancellor on or after July 1, 1998 qualify for an additional State Building Aid apportionment in the form of Incentive Aid, which is currently calculated each year by multiplying the Incentive Aid Ratio by Aidable Debt Service for such projects for such year. The Selected Building Aid Ratio currently applied every year for projects approved by the Chancellor in fiscal years 1999 and 2000 is the higher of (i) the City's Calculated Building Aid Ratio for such year plus the Incentive Aid Ratio and (ii) the City's highest Calculated Building Aid Ratio since fiscal year 1982 plus the Incentive Aid Ratio, which is 64.7%. The Selected Building Aid Ratio for such projects for fiscal year 2010 is 64.7%. The projected Selected Building Aid Ratio for such projects for fiscal year 2011 is 64.7%.

For projects approved by the Chancellor on or after July 1, 2000, the building aid ratio currently applied in each year to such projects is the higher of (i) the City's Calculated Building Aid Ratio for the year plus the Incentive Aid Ratio and (ii) the building aid ratio applied for the City's apportionment in fiscal year 2000, not including the additive Incentive Aid Ratio, which is 54.7%. The Selected Building Aid Ratio for such projects for fiscal year 2010 is 61.1%. The projected Selected Building Aid Ratio for such projects for fiscal year 2011 is 58.7%.

For projects approved by the Chancellor on or after July 1, 2005, the High Needs Building Aid Ratio will be applied to the Selected Building Aid Ratio.

Confirmed Building Aid

State Building Aid for projects not subject to any further statutory or administrative conditions or approvals (other than annual State appropriation), and which shall be calculated in accordance with the State covenant and the building aid ratios applicable to such projects at the date of calculation, constitutes "Confirmed Building Aid."

State Building Aid to be received for projects that are approved by the SED in the future constitutes "Incremental Building Aid." Pursuant to the Assignment, the City has assigned to the Authority Confirmed Building Aid and the right to receive Incremental Building Aid, and both Confirmed Building Aid and the right to receive Incremental Building Aid are now property of the Authority. The Authority receives, subject to annual State appropriation, State Building Aid regardless of the financing mechanism utilized to fund an eligible educational facility project. The City's financing of educational facilities eligible for State Building Aid is not restricted solely to the issuance of Building Aid Revenue Bonds.

The amount of Confirmed Building Aid payable to the Authority will vary from the amounts shown below in the future depending on, among other factors, the Selected Building Aid Ratio for projects approved after July 1, 2000.

CONFIRMED BUILDING AID

Fiscal Year	Confirmed Building Aid (millions)
2011	$853.77
2012	850.60
2013	846.68
2014	839.75
2015	838.52
2016	838.85
2017	837.18
2018	833.88
2019	831.31
2020	812.19
2021	783.12
2022	760.91
2023	742.14
2024	728.34
2025	714.54
2026	703.33
2027	689.87
2028	662.52
2029	620.76
2030	571.27
2031	508.15
2032	469.38
2033	453.49
2034	436.82
2035	413.21
2036	351.78
2037	269.29
2038	175.43
2039	88.42
2040	21.82

Payment of State Building Aid

State Building Aid for all projects is aggregated by the State and paid to the City in accordance with Section 3609-a of the Education Law. The State does not distinguish payments of State Building Aid from General Education Aid Payments payable to the City. Pursuant to Section 3609-a of the Education Law, 25% of the lesser of (i) the General Education Aid Payments estimated by the SED to be payable to the City at the time of adoption of the State budget or (ii) the General Education Aid Payments estimated by the SED to be payable to the City at the time of payment are required to be paid by the State to the City no later than December 15 of each fiscal year, and the remaining amount of General Education Aid Payments must be paid to the City no later than the first business day of June of such fiscal year. The General Education Aid Payments are conditioned upon the filing by the City of certain reports required under the Education Law. The City has covenanted in the Assignment to comply with the requirements of the Education Law in all respects material to the State Building Aid, which include the requirement to file such reports.

The amount of State Building Aid payable in each year to the Authority will vary depending on, among other factors, the Selected Building Aid Ratio. In addition, although the State has covenanted to continue to calculate State Building Aid in accordance with the formula used on the date an applicable project is approved for reimbursement, no assurance can be given that the Calculated Building Aid Ratio will remain stable in accordance with historic levels or that the Incentive Aid Ratio or the High Need Building Aid Ratio will continue. In addition, payment of State Building Aid is dependent in part upon the financial condition of the State. See "—Financial Condition of the State."

The following table shows debt service coverage for Building Aid Revenue Bonds by Confirmed Building Aid.

DEBT SERVICE COVERAGE FOR BUILDING AID REVENUE BONDS BY CONFIRMED BUILDING AID

Fiscal Year	Confirmed Building Aid (millions)	Debt Service[1] (millions)	Coverage
2011	$853.77	$300.71	2.84x
2012	850.60	228.65	3.72
2013	846.68	312.94	2.71
2014	839.75	314.08	2.67
2015	838.52	315.25	2.66
2016	838.85	315.12	2.66
2017	837.18	315.25	2.66
2018	833.88	314.99	2.65
2019	831.31	314.92	2.64
2020	812.19	312.34	2.60
2021	783.12	312.24	2.51
2022	760.91	312.30	2.44
2023	742.14	311.99	2.38
2024	728.34	312.07	2.33
2025	714.54	312.00	2.29
2026	703.33	311.87	2.26
2027	689.87	311.75	2.21
2028	662.52	311.59	2.13
2029	620.76	311.49	1.99
2030	571.27	311.36	1.83
2031	508.15	311.21	1.63
2032	469.38	309.48	1.52
2033	453.49	310.25	1.46
2034	436.82	310.09	1.41
2035	413.21	309.92	1.33
2036	351.78	309.65	1.14
2037	269.29	225.59	1.19
2038	175.43	173.73	1.01
2039	88.42	20.53	4.31
2040	21.82	20.46	1.07

(1) Reflects debt service on Outstanding Building Aid Revenue Bonds and on the Series 2011 S-1 Bonds. Debt service is shown in the year State Building Aid is retained by the Authority, rather than in the year paid.

Additional Building Aid Revenue Bonds

The School Financing Act authorizes the issuance of Bonds, Notes or other obligations in an amount outstanding of up to $9.4 billion to finance a portion of one or more of the Five-Year Plans. The Authority expects that it will issue other Building Aid Revenue Bonds in the future. The Authority may from time to time request the authentication and delivery of an additional Series of Building Aid Revenue Bonds by providing to the Trustee, among other documents, an Officer's Certificate setting forth:

(i) Annual School Bond Debt Service, including debt service on such Series of Building Aid Revenue Bonds in each Series Fiscal Year; and

(ii) the Confirmed Building Aid payable in the fiscal year preceding each Series Fiscal Year, which shall at least be equal to the amount set forth in clause (i) for each Series Fiscal Year.

For purposes of the above certificate, each interest rate on Outstanding and proposed variable-rate Building Aid Revenue Bonds (if not economically fixed by a Qualified Swap, a liquidity account, or otherwise with Rating Confirmation) shall be assumed at the maximum rate payable to investors other than parties to an ancillary contract.

Implementation of the Five-Year Plan is dependent on the City's and the Authority's ability to successfully market their bonds and notes. Recent turmoil in the financial markets has led to constraints in the availability of credit to all borrowers including governmental entities. The success of projected sales of City and Authority bonds and notes will be subject to prevailing market conditions.

Incremental Building Aid

General

Additional Building Aid Revenue Bonds will be payable as described herein from State Building Aid assigned to the Authority by the City under the Assignment. It is anticipated that the City will continue adopting Five-Year Plans and making expenditures thereunder that are eligible for State Building Aid in the future. It is also anticipated that the City, through SCA, will continue to make application to the SED for Incremental Building Aid, and that Incremental Building Aid will be approved by the SED as future projects under the current and future Five-Year Plans are undertaken.

Eligibility for State Building Aid

Projects eligible for State Building Aid must be included in the Five-Year Plan. Eligible projects include, among others, new construction, building additions, major modernizations, rehabilitations, and system replacements. Such projects must relate to educational instructional facilities or facilities otherwise related to educational instruction. Project costs eligible for State Building Aid funding may include direct construction and equipment acquisition costs as well as incidental project costs, including site purchase, preparation and development costs and professional service fees and insurance. Such costs may relate to facilities either owned or leased by the City. In addition, lease payments relating to such facilities are also eligible for State Building Aid.

SED Approval and Calculation of State Building Aid

The SED reviews each project and calculates the maximum amount of project costs that are eligible for State Building Aid (the "Maximum Cost Allowance" or "MCA"). Calculation of the MCA begins with a determination of a preliminary cost allowance, which is the product of the number of students the project will accommodate and State per pupil cost amounts by student type. To account for variations in construction labor costs throughout the State, the SED then applies a regional cost factor to each project. For certain projects in the City started after July 1, 2004, the MCA then receives an additional upward adjustment called the "Urban Cost Factor," which is designed to reflect the higher costs of construction in a dense urban environment, as well as an extraordinary site acquisition cost adjustment. Once the MCA is calculated, the SED determines the aidable cost ("Aidable Cost") of a project as the lesser of the MCA and the approved project cost.

Every year, the SED determines the amount of State Building Aid payable for projects as described above under "State Building Aid."

The Authority expects that it will receive Incremental Building Aid in an amount at least equal to $21.2 million in fiscal year 2011 and $58.1 million in each of fiscal years 2012 through 2040. These amounts are calculated assuming that no new education projects eligible for State Building Aid are authorized in the City after the end of the Current Five-Year Plan covering fiscal years 2010 through 2014 (the "Current Five-Year Plan"). In addition, these amounts are calculated assuming that the final interest rate applicable to the Incremental Building Aid is 3.75%.

Five-Year Plan

The Five-Year Plan is the mechanism by which the City plans, funds and manages all capital investments in its public school facilities. The rules governing the preparation and maintenance of each Five-Year Plan are established pursuant to the Education Law. The Current Five-Year Plan, covering fiscal years 2010 through 2014, totals approximately $11.3 billion.

The school system of the State is divided into school districts. The school district of the City is known as the Department of Education, which is a corporate body separate from the City (the "DOE"). Each Five-Year Plan, which is amended from time to time, is prepared by the Chancellor and contains the following categories of work: new construction; building additions; major modernization and rehabilitation; athletic fields, playgrounds and pools; system replacements; security and educational enhancements; and emergency, unspecified and miscellaneous. The Five-Year Plan must describe each of these categories and estimate the cost of each category, the capital funding required each year and the expected sources of such funding. The Five-Year Plan must also set forth an estimate of the cost of each project identified in the Five-Year Plan and state the year in which each such project is to be initiated.

Each Five-Year Plan is managed and administered by the SCA pursuant to the New York State Public Authorities Law. The SCA has the duty to: design, construct, reconstruct, improve, rehabilitate, maintain, furnish, repair, equip and otherwise provide for educational facilities as defined under State Education Law and acquire property through purchase or condemnation therefor. The three-member SCA Board consists of the Chancellor and two other members appointed by the Mayor.

All State Building Aid is payable by the State, subject to annual appropriation, regardless of how approved project costs are financed. Capital expenditures under the Five-Year Plan may be financed using different obligations, such as (i) general obligation bonds or notes issued by the City, (ii) bonds or notes issued by the Authority for general City capital purposes or (iii) Building Aid Revenue Bonds issued by the Authority. Pursuant to the Assignment, all State Building Aid payable in respect of all approved education projects is payable to the Authority regardless of whether such projects are financed through general obligation bonds of the City, bonds of the Authority for general City capital purposes, Building Aid Revenue Bonds, or any other method.

99-b State Aid Intercept

Section 99-b of the State Finance Law provides that in the event a holder or owner of any Building Aid Revenue Bond, or other bond or note issued by the Authority or the City for school purposes, shall file with the State Comptroller a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and serve a copy thereof by registered mail upon the Comptroller of the City, the Chancellor and the chief fiscal officer of the Authority. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding bonds or notes issued for school purposes, and the statement prepared and filed by the State Comptroller pursuant to the foregoing shall set forth a description of all bonds or notes issued for school purposes, found to be in default and the amount of principal and interest thereon past due. Upon the filing of such a certificate in the office of the State Comptroller, the State Comptroller shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of Education Aid due to the City or its school district such amount thereof as may be required to pay the principal of and interest on the bonds or notes issued for school purposes, then in default. Education Aid so withheld shall be transferred by the State Comptroller to the respective paying agents.

In the event such Education Aid so withheld shall be insufficient to pay all of the principal of and interest on the bonds or notes issued for school purposes, so in default, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such Education Aid due the City or its school district, such amount or amounts thereof as may be required to pay all of the principal of and interest on the bonds or notes issued for school purposes, then in default and to cure such default. Allotments, apportionments and payments of such Education Aid so deducted or withheld by the State Comptroller shall be forwarded promptly to each applicable paying agent for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes; provided, however, that in the event any such allotment, apportionment or payment of such Education Aid so deducted or withheld shall be less than the total amount of all principal and interest on the bonds or notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall forward to the paying agent an amount in the proportion that the amount of such bonds or notes in default bears to the total amount of principal of and interest then in default on such bonds or notes.

Total Education Aid to the City was approximately $7.99 billion in fiscal year 2010. Education Aid so applied pursuant to Section 99-b of the State Finance Law secures only the bonds or notes issued for school purposes and does not secure other obligations of the Authority or the City. The payment of Education Aid to the City is subject to annual appropriation by the State. In addition, no assurance can be given that, in the event of the State's failure to appropriate Education Aid in amounts sufficient to pay State Building Aid, that Education Aid would be sufficient to cure a deficiency pursuant to Section 99-b of State Finance Law.

The State covenants with the Holders of the Building Aid Revenue Bonds (among others) that it will not repeal, revoke or rescind the provisions of Section 99-b or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby; but nothing in Section 99-b shall be deemed or construed as requiring the State to continue the payment of Education Aid to the City or as limiting or prohibiting the State from repealing or amending any law relating to Education Aid, the manner and time of payment or apportionment thereof, or the amount thereof.

Set forth below is the total amount of Education Aid paid to the City for fiscal years 2000 through 2010.

EDUCATION AID

Fiscal Year	Education Aid (millions)
2000	$4,563.50
2001	5,094.75
2002	5,414.12
2003	5,102.77
2004	5,265.82
2005	5,781.98
2006	6,322.42
2007	6,954.40
2008	7,756.59
2009	8,623.61
2010	7,989.83(1)

(1) Estimate. The decrease in Education Aid from 2009 to 2010 is due to state reductions in aid which was replaced by federal funds under the Recovery Act. The City does not expect to receive funds under the Recovery Act after fiscal year 2011.

The nature and extent of the impact of future State budgets on Education Aid to the City is uncertain and no assurance can be given that State actions included in future State budgets may not have an adverse impact on Education Aid paid to the City.

Competing Claims to State Aid

Prior Claims Under the Act. The Authority's receipt of Education Aid, of which State Building Aid is a part, is subject and subordinate to the competing claims described below.

Direct Claims

MBBA Bonds. Bonds have been issued by the New York Municipal Bond Bank Agency ("MBBA") pursuant to the State of New York Municipal Bond Bank Agency Act, Title 18 of Article VIII of the Public Authorities Law of the State of New York, as amended (the "MBBA Act"), to fund the cost of making a payment to the City in satisfaction of prior year claims owed to the City under Section 3604 of the Education Law. Pursuant to the MBBA Act, the Chairman of the MBBA is required to deliver annually a certificate to the State Comptroller and the Director of the Budget of the State, certifying the amount of public funds apportioned or otherwise made payable by the State to the City as provided in Article 73 of the Education Law necessary for payment of (i) interest, principal and redemption premium, if any, maturing or otherwise becoming due during the subsequent State fiscal year on the MBBA Bonds; (ii) the amounts required to be deposited to the Debt Service Reserve Fund with respect to the MBBA Bonds; and (iii) any and all amounts required for the purpose of satisfying any rebate obligation to the Federal government. Upon receipt of such certification, the State Comptroller is required to transfer to the MBBA such Education Aid to the extent so stated in such certificate. The payments of Education Aid to the MBBA are not dependent upon annual appropriation by the City. Principal of the MBBA Bonds is amortized over the period beginning June 1, 2006, and ending December 1, 2023. The maximum annual debt service on the MBBA Bonds is approximately $41 million.

Expenses for Handicapped Children. In addition, the State Comptroller deducts from Education Aid to the City amounts required by statute to reimburse the State for certain expenditures made by the State for the education of certain blind, deaf and handicapped children in the City. Such expenditures for the City's 2010 fiscal year were approximately $13.5 million.

Contingent Claims

City General Obligation Bonds. The State Finance Law Section 99-b provides protection against any default on debt issued for school purposes by the Authority and any city, city school district or school district of the State up to the limits of that entity's Education Aid. If a city, city school district or school district of the State defaults in the payment of the principal of its bonds and notes issued for school purposes, the State is to withhold from the next payment of Education Aid made to such entity, an amount required to cure such default in the payment of such bonds. The City issues bonds for school purposes as part of bond issues that also finance many other purposes of the City. If the City should default on any bond issue that includes financing for school purposes, there would be withheld from the Education Aid payable to the City an amount sufficient to cure such default on the bonds issued for school purposes, and any such amount so withheld could reduce the amount of available Education Aid (of which State Building Aid is a part) to pay the Building Aid Revenue Bonds. Projected debt service for fiscal year 2011 on City bonds issued for school purposes outstanding as of March 31, 2010, is approximately $863 million, without reflecting prepayments by the City.

New York City Educational Construction Fund. Bonds have been issued by the New York City Educational Construction Fund (the "ECF") pursuant to Article 10 of the Education Law (the "ECF Act") to fund the cost of combined occupancy structures consisting of improvements to real property containing school accommodations or other facilities of the DOE with compatible and lawful non-school uses. Bonds of the ECF are secured by a debt service reserve fund (the "ECF Debt Service Reserve Fund") in an amount equal to the maximum amount of principal and sinking fund installments of and interest on outstanding bonds issued by the ECF becoming due in the then-current or any succeeding calendar year.

To further assure maintenance of the ECF Debt Service Reserve Fund, the ECF Act requires the DOE to pay to the ECF for deposit in the ECF Debt Service Reserve Fund such sum, if any, as has been certified by the Chairman of the ECF to the DOE, the Mayor and the Director of Management and Budget of the City as necessary to restore the ECF Debt Service Reserve Fund to the ECF Debt Service Reserve Requirement. Such sum is to be paid from moneys appropriated and paid by the City to the DOE or from moneys otherwise lawfully available to the

DOE for such purpose. The Chairman of the ECF annually, not later than February 1 in each calendar year, is to make and deliver to the DOE, the Mayor and the Director of Management and Budget of the City a certificate stating the amount, if any, required to restore the ECF Debt Service Reserve Fund to the required amount, and the amount so stated is to be paid to the ECF by the DOE during the then-current fiscal year of the ECF. In the event of the failure or inability of the DOE to pay over the stated amount to the ECF on or before August 1 of the same calendar year, the Chairman of the ECF is to make and deliver to the State Comptroller a further certificate restating the amount so required and, after the State Comptroller has given written notice to the Commissioner of Education of the State, the Mayor and the Director of Management and Budget of the City, such amount is to be paid over to the ECF by the State Comptroller out of the next payment of Education Aid apportioned to the City for the support of common schools or such other aid or assistance payable in support of common schools as may have superseded or supplemented such State aid for the support of common schools, including federal moneys apportioned by the State to the City for the support of common schools. The maximum annual debt service on outstanding ECF Bonds is approximately $14.1 million.

Other Competing Claims

Certain State programs provide for statutory application or withholding of State aid and local assistance as security for the repayment of obligations of, or the repayment of financial assistance provided to, the City including but not limited to the following relating to: loan agreements with the Environmental Facilities Corporation ("EFC") for water pollution control projects under Section 1285-j(11) of the Public Authorities Law; financing agreements with the EFC with respect to the Drinking Water Revolving Fund program under Section 1285-m of the Public Authorities Law; the MBBA under Section 2436 of the Public Authorities Law; the New York State Sports Authority under Section 2473 of the Public Authorities Law; acquisition, construction or maintenance costs of alternative correctional facilities under Section 89-h of the Corrections Law; and failure of the City to make a payment due to the Design and Construction Account of the Hazardous Waste Remedial Fund under Section 97-b of the State Finance Law. The City does not currently participate in the foregoing programs and does not currently expect to participate in such programs in the future. Also, Section 54-a of the State Finance Law provides that, if the City levies or causes to be levied taxes upon real property in excess of constitutional limitations, the State Comptroller may withhold local assistance by the State to the City to the extent of such excess.

In addition, the State may withhold or reduce Education Aid, and in certain cases must withhold or reduce such aid, upon the City's failure to provide statutorily mandated courses of instruction in a number of special areas, upon the City's failure to provide the statutorily required number of instructional days, upon the City's failure to provide certain health services, upon the City's failure to provide certain statutorily mandated services for handicapped students, upon the City's failure to make any required payment for the maintenance or operation of charter schools in the City, upon the City's noncompliance with certain other statutorily mandated administrative practices or upon the City's willful disobedience of certain laws or directives. During the last 10 years, no Education Aid has been withheld from the City for failure to meet the above-mentioned requirements.

The Authority's receipt of the State Building Aid could also be affected by withholding of Education Aid, of which State Building Aid is a part, in satisfaction of any disallowance regarding prior aid funds distributed to the City. The City and the Authority expect that any assertion of a disallowance that might otherwise materially affect the Education Aid would be satisfied either by the State's withholding of aid payments other than the State Building Aid or by repayment by the City to the State of the amount of the disallowance.

On November 3, 2006, the inspector general of the United States Department of Education released an audit of the federal Reading First program which found that SED had improperly awarded more than $118 million in federal grants under that program, $106 million of which was awarded to the City. SED is disputing the inspector general's findings. The inspector general recommended that the $118 million be recovered from the State. In the event that such amount is recovered from the State, the State may in turn seek to recover the $106 million received by the City under the Reading First program, or may offset payments of Education Aid, including State Building Aid, payable to the City or the Authority.

Effect of Claims on State Building Aid

Statutory application and intercept of Education Aid for any of the above purposes or any other purpose could have the result of diminishing the amount of State Building Aid paid to the Authority as well as diminishing Education Aid subject to intercept by the State Comptroller under Section 99-b of the State Finance Law. Furthermore, the City may in the future participate in financing programs incorporating procedures for the application or withholding of Education Aid for the repayment of obligations of, or the repayment of financial assistance provided to, the City. In addition, the State may institute, with or without the consent of the City or the Authority, programs for the diversion or withholding of Education Aid otherwise payable to the City. Any such future application or diversion of Education Aid could also affect the flow of State Building Aid to the Authority. Notwithstanding the foregoing, pursuant to the MOU, the State Comptroller has agreed, if permitted by applicable law, to apply Competing Claims, if any are exercised, against Education Aid payable to the City rather than against State Building Aid payable to the Authority. No assurance can be given that the MOU will be legally enforceable. The City has also agreed under the Assignment to promptly pay any material amount of State Building Aid diverted from the Authority on account of the Competing Claims described under the headings "*Direct Claims*" and "*Contingent Claims*" above as well as any amounts resulting from administrative reviews, audits or other procedures relating to Education Aid other than Building Aid, including the audits described in the last two paragraphs under the heading "*Other Competing Claims*." See "—Assignment of State Building Aid."

Financial Condition of the State

The payment of State Building Aid to the Authority is dependent in part upon the financial condition of the State. State budgetary restrictions could result in delays in the payment of or reductions in the amount of State Building Aid payable to the Authority. In the event that State education aid or assistance is reduced by the State in the future, such reduction could result in a diminished flow of State Building Aid to the Authority. The recent economic downturn and global financial crisis have had and are anticipated to continue to have an adverse impact on the State's financial condition and may adversely affect the amount and payment of State education aid to localities. Proposals to address State budget deficits have included reductions in State education aid to localities. In addition, the availability of State education aid and the timeliness of payment of State education aid to localities could be affected by a delay in the adoption of the State budget.

Information about the State is contained in the 2010-11 Annual Information Statement of the State, dated September 7, 2010, and the supplement thereto, dated November 9, 2010 (collectively, the "AIS"), which are included herein by specific reference and may be obtained at www.budget.state.ny.us.

Financial information relating to the State is also contained in the Comprehensive Annual Financial Report for Fiscal Year Ended March 31, 2010 of the New York State Comptroller, dated September 30, 2010 (the "CAFR"). The CAFR is included herein by specific reference. Copies of the CAFR may be obtained from the Office of the New York State Comptroller, 110 State Street, Albany, NY 12236 or from the New York State Comptroller's web site (www.osc.state.ny.us).

The Authority did not prepare the information contained in the AIS or the CAFR. The Authority will not receive a certification from the State as to the accuracy of the information contained or included by specific reference herein.

Agreements of the State and the City

The Act and the Indenture contain the covenant of the State with the Bondholders that the State shall not limit or alter the rights vested in the Authority by the Act to fulfill the terms of the Indenture or in any way impair the rights and remedies of such holders or the security for the Bonds until such Bonds, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged. This covenant does not restrict the right of the State to amend, modify, repeal or otherwise alter statutes relating to State Building Aid subject to the Assignment. However, the State, under the School Financing Act and under the Indenture, covenants that State Building Aid shall in all events (i) continue to be so payable, as assigned to the Authority, so long as the State Building Aid is paid, and (ii) continue to be calculated in accordance with the same formula used for such calculation, and otherwise on the same basis as such aid is calculated, on the date that an applicable project is approved for reimbursement from State Building Aid.

The Bonds are not a debt of either the State or the City, and neither the State nor the City is liable thereon. The State has no contractual relationship with the Authority and has no obligation, contractual or otherwise, to seek an appropriation of State Building Aid. The Building Aid Revenue Bonds do not constitute "State supported debt" within the meaning of the State Finance Law. The State will not be entering into a continuing disclosure agreement with respect to the Building Aid Revenue Bonds.

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

Application of Revenues

Upon receipt of (i) Personal Income Tax Revenues, (ii) Sales Tax Revenues, if any are required to be paid to the Authority, and (iii) State Building Aid, the Trustee must deposit such amounts into the Collection Account held by the Trustee.

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

State Building Aid shall be deposited in the Building Aid Subaccount of the Collection Account and applied in the following order of priority, as implemented in part by the Retention Procedures (set forth below); first, to Pre-07 S-1 Senior Debt (to the extent that Tax Revenues are insufficient); second, to the Authority's operating expenses (to the extent that Tax Revenues are insufficient), which may include reserves but excluding operating expenses properly allocable to Post-07 S-1 Senior Debt and Post-07 S-1 Parity Debt; third, to Pre-07 S-1 Parity Debt (to the extent that Tax Revenues are insufficient) and then to the payment of Building Aid Revenue Bonds and other School Obligations; and fourth, daily or as soon as practicable but not later than the last day of each month, to the order of the City, free and clear of the lien of the Indenture.

Retention Procedures

A quarterly retention mechanism has been adopted by the Authority to provide for payment of debt service on Future Tax Secured Bonds. For each three-month period commencing August, November, February and May (each such period, a "Collection Quarter"), the Trustee shall begin on the first business day of the first month of each Collection Quarter to transfer Tax Revenues from the Tax Revenue Subaccount to each subaccount of the Bond Account in proportion to the unfunded balance of each First-Month Requirement, and shall continue such transfers until the amount in each subaccount is equal to the First-Month Requirement. On the first day of the second month of each Collection Quarter, the Trustee shall resume or continue such transfers, in proportion to the unfunded balance of each Full Requirement, until the Full Requirement is held in each subaccount.

After all payments are made to the Bond Account, as described above, and for Authority operating expenses, money on deposit in the Tax Revenue Subaccount will be applied in accordance with a quarterly retention method adopted by the Authority to provide for payment of debt service on Parity Debt. The Pre-07 S-1 Parity

Subaccount and the Post-07 S-1 Parity Subaccount are subaccounts in the Recovery Account. At the beginning of each Collection Quarter, the Trustee shall begin to transfer Tax Revenues to each subaccount in the Recovery Account in proportion to the unfunded balance of each First-Month Requirement and shall continue such transfers until the amount in each subaccount is equal to the First-Month Requirement and on the first Business Day of the second month of each Collection Quarter, the Trustee shall resume or continue such transfers, in proportion to the unfunded balance of each Full Requirement, until the Full Requirement is held in each subaccount.

To provide for the timely payment of School Obligations (including the Series 2011 S-1 Bonds) subject to the rights of the Holders of Pre-07 S-1 Senior Debt and Pre-07 S-1 Parity Debt, money in the Building Aid Subaccount shall be retained therein until transferred as follows:

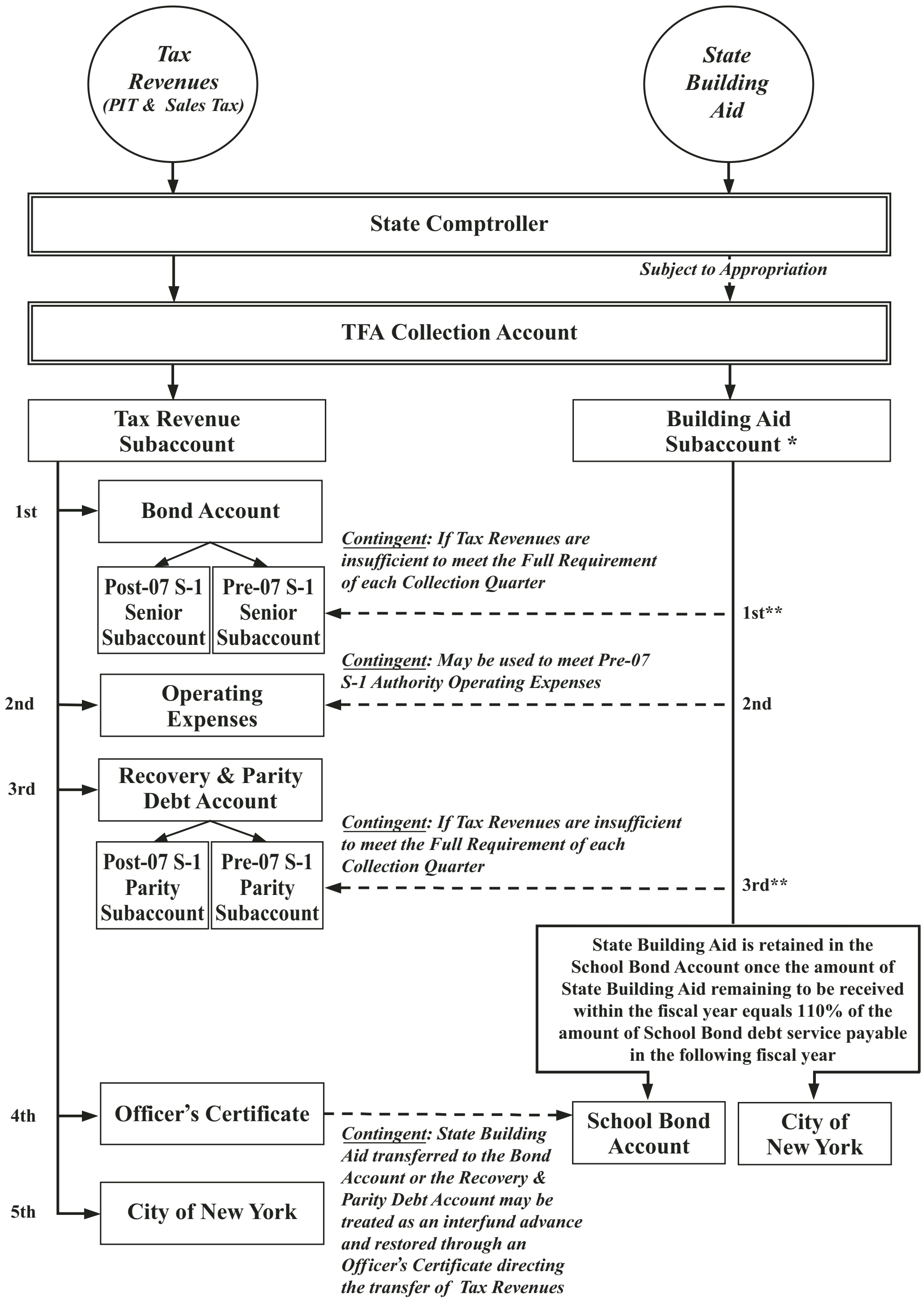
(1) at any time, to the Pre-07 S-1 Senior Subaccount or the Pre-07 S-1 Parity Subaccount, in that order of priority, to pay Pre-07 S-1 Senior Bonds or Pre-07 S-1 Parity Debt then due and not otherwise provided for;

(2) in the first month of each Collection Quarter, (a) to the School Bond Account beginning the first day when (i) the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and (ii) the Remaining Building Aid is not more than 110% of the Unfunded Balance, and continuing until the earlier of (x) the end of the month and (y) the day when the Unfunded Balance is zero; and (b) to the order of the City, if no transfer to the School Bond Account is required, beginning the first day when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and continuing until the end of the month; and

(3) in the second and third months of each Collection Quarter, (a) to the School Bond Account beginning the first day when (i) the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their Full Requirements and (ii) the Remaining Building Aid is not more than 110% of the Unfunded Balance, and continuing until the earlier of (x) the end of the Collection Quarter and (y) the day when the Unfunded Balance is zero; (b) to the order of the City, if no transfer to the School Bond Account is required, beginning when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount are funded to their Full Requirements and continuing until the end of the Collection Quarter; and (c) on the last Business Day of the Collection Quarter, to the Pre-07 S-1 Senior Subaccount and then the Pre-07 S-1 Parity Subaccount until both of them have been funded to their Full Requirements; then to the School Bond Account, if the Remaining State Aid is not more than 110% of the Unfunded Balance, until the Unfunded Balance is zero; and then to the order of the City.

For a description of the application under the Indenture of federal subsidies under the Recovery Act with respect to Build America Bonds and Qualified School Construction Bonds, see "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

SUMMARY OF COLLECTION AND APPLICATION OF REVENUES



* State Building Aid is available to pay debt service coming due and payable but not already provided for with respect to Senior Bonds and Parity Debt, issued prior to the Fiscal 2007 Series S-1 Building Aid Revenue Bonds.

** Within the respective retention period, once each of the First-Month and Full Requirement is satisfied, State Building Aid flows to eithe the School Bond Account or the City of New York.

SECTION III: TAX REVENUES AVAILABLE FOR PAYMENT OF PRE-07 S-1 OBLIGATIONS

Tax Revenues

Pursuant to the Indenture, the Building Aid Revenue Bonds are payable only from the State Building Aid and not from the Tax Revenues. Future Tax Secured Bonds are secured by Tax Revenues. The application of State Building Aid to pay the Building Aid Revenue Bonds is subject to priorities under the Indenture in favor of the Pre-07 S-1 Obligations. If Tax Revenues were not sufficient to pay Pre-07 S-1 Obligations, as well as Post-07 S-1 Obligations, State Building Aid on deposit in the Collection Account would be applied to the payment of the Pre-07 S-1 Obligations and the amount of State Building Aid available for payment of the Building Aid Revenue Bonds would be reduced. The Authority expects that Tax Revenues will be sufficient to pay the Pre-07 S-1 Obligations and Post-07 S-1 Obligations. See "—Debt Service Coverage."

Tax Revenues consist primarily of Personal Income Tax Revenues and Sales Tax Revenues. Personal Income Tax Revenues are the revenues collected from the Personal Income Tax less overpayments and costs of administration. The Personal Income Tax is the tax imposed by the City as authorized by the State on the income of City residents and, while applicable, on nonresident earnings in the City. The Personal Income Tax is composed of several components, which State law authorizes the City to impose. Some of these components have required renewals in the past and will require renewals in the future. The Act provides that nothing contained therein restricts the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Tax, but such taxes payable to the Authority shall in all events continue to be so payable so long as any such taxes are imposed.

Sales Tax Revenues are the revenues collected from the Sales Tax less (i) administrative expenses of the New York State Financial Control Board and the Office of the State Deputy Comptroller ("State Oversight Retention Requirements"), and (ii) State administrative costs. State Oversight Retention Requirements are expected to be approximately $7 million in fiscal year 2011. The Sales Tax is the sales and compensating use tax imposed on the sale and use of tangible personal property and services by the City. Sales Tax Revenues are not subject to City or State appropriation.

Pursuant to the Act, Sales Tax Revenues will be available for the payment of the Pre-07 S-1 Obligations and Post-07 S-1 Obligations if Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of the maximum annual debt service on the Authority's Outstanding Bonds. Notwithstanding the foregoing, Building Aid Revenue Bonds are not payable from Tax Revenues.

Historical collections of Tax Revenues for fiscal years 1994 to 2010 and forecasted collections of Tax Revenues for fiscal years 2011 through and including 2014 are shown in the following table. Forecasted collections of Tax Revenues included in this Official Statement are as forecasted by the New York City Office of Management and Budget ("NYC OMB") as set forth in the City Financial Plan dated November 18, 2010 (the "Financial Plan").

HISTORICAL AND FORECASTED AMOUNTS OF TAX REVENUES

Fiscal Year	Tax Revenues (millions)	Fiscal Year	Tax Revenues (millions)
1994	$5,702	2005	$10,873
1995	6,202	2006	11,756
1996	6,533	2007	12,375
1997	7,048	2008	13,696
1998	7,816	2009(1)	11,431
1999	8,639	2010	11,808
2000	8,961	2011(2)	12,862
2001	9,485	2012(2)	13,584
2002	7,908	2013(2)	14,209
2003	7,785	2014(2)	15,028
2004	9,037		

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

(1) The decrease in Tax Revenues from fiscal year 2008 to fiscal year 2009 is attributable, in part, to an adjustment in fiscal year 2009 by the State for overpayments of Personal Income Tax Revenues in fiscal years 2002 through 2009 in the amount of $597.3 million and, in part, to the economic recession.

(2) Forecast. Figures do not reflect deductions for State Oversight Retention Requirements.

If Tax Revenues were not sufficient to pay Pre-07 S-1 Obligations and Post-07 S-1 Obligations, State Building Aid on deposit in the Collection Account would be applied to the payment of the Pre-07 S-1 Obligations and the amount of State Building Aid available for the payment of Building Aid Revenue Bonds would be reduced. Under the Indenture, the Authority may issue Bonds only: (i) as Senior Bonds (or Notes in anticipation thereof) to pay or reimburse Project Capital Costs or refund or renew such Bonds or Notes, but not to exceed $12 billion in Outstanding principal amount, and subject to a $330 million limit on Quarterly Debt Service to be payable; or (ii) as Subordinate Bonds (or Notes in anticipation thereof), with Rating Confirmation; but no Series of Senior Bonds shall be authenticated and delivered without Rating Confirmation unless the amount of collections of Tax Revenues for the twelve consecutive calendar months ended not more than two months prior to the calculation date less the aggregate amount of operating expenses of the Authority for the current fiscal year is at least three times the amount of annual Senior Debt Service, including debt service on the Series of Bonds proposed to be issued, for each fiscal year Bonds will be Outstanding. Parity Debt (or Notes in anticipation thereof) may be issued, provided that collections of Tax Revenues for the most recent fiscal year ended at least two months prior to the date of such issuance are, for each fiscal year during which such proposed Parity Debt is to be outstanding, at least three times the sum of $1.32 billion (Covenanted Maximum Annual Debt Service for Senior Bonds) and annual debt service on Outstanding Parity Debt, together with the Series proposed to be issued, as estimated in accordance with the Indenture. See "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

The amount of future Tax Revenues to be collected depends upon various factors including the economic conditions in the City. The forecasts of Tax Revenues are not intended to be guarantees of actual collections and results may vary from forecasts. Economic conditions in the City have reflected numerous cycles of growth and recession. There can be no assurance that historical data relating to economic conditions in the City are predictive of future trends or that forecasts of future economic developments will be realized.

Debt Service Coverage

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

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

Fiscal Year	Tax Revenues (millions)[1]	Pro Forma Coverage[2]	Actual Coverage[3]
2000	$ 8,961	4.98x	36.26x
2001	9,485	5.27	23.28
2002	7,908	4.39	17.55
2003	7,785	4.33	14.50
2004	9,037	5.02	12.33
2005	10,873	6.04	12.12
2006	11,756	6.53	12.43
2007	12,375	6.88	13.79
2008	13,696	7.61	12.45
2009	11,431[4]	6.35	10.92
2010	11,808	6.56	9.69

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

(2) Calculated based on maximum annual debt service of $1,799,688,490 on Outstanding Future Tax Secured Bonds including Senior Bonds and Parity Debt (assuming that floating rate bonds bear interest at their maximum rate).

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

(4) The decrease in Tax Revenues from fiscal year 2008 to fiscal year 2009 is attributable, in part, to an adjustment in fiscal year 2009 by the State for overpayments of Personal Income Tax Revenues in fiscal years 2002 through 2009 in the amount of $597.3 million and, in part, to the economic recession. Figure does not reflect deductions for State Oversight Retention Requirements.

The following table shows projected debt service coverage on Future Tax Secured Bonds in fiscal years 2011 through 2014.

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

Fiscal Year	Tax Revenues (millions)[1]	Coverage[2]
2011	$12,862	10.13x
2012	13,584	8.03
2013	14,209	7.49
2014	15,028	7.27

(1) Forecast. Source: NYC OMB. Figures shown are calculated on a cash basis.

(2) Calculated based on Outstanding bonds and bonds projected to be issued, totaling $1.75 billion, $2.7 billion, $2.5 billion and $2.4 billion in fiscal years 2011 through 2014, respectively, assuming interest rates of 5% on Outstanding tax-exempt variable rate bonds, 7% on Outstanding taxable variable rate bonds and 6% on all bonds projected to be issued through 2014. Fiscal 2003 Series A Bonds maturing after 2014 are assumed to be replaced by variable rate bonds at an assumed rate of 5% after November 1, 2011. Fiscal 2003 Series B Bonds maturing after 2015 are assumed to be replaced by variable rate bonds at an assumed rate of 5% after February 1, 2011. Projections do not reflect the federal subsidy on Build America Bonds or with respect to Qualified School Construction Bonds. Projections are based on amounts of Tax Revenues to be retained by the Authority and are calculated without giving effect to prepayments of Authority debt service with grants from the City.

SECTION IV: THE SERIES 2011 S-1 BONDS

General

The Series 2011 S-1 Bonds will be dated, will bear interest at the rates and will mature on the dates as set forth on the inside cover page of this Official Statement unless redeemed prior to maturity. All of the Series 2011 S-1 Bonds will be issued in book-entry only form. The Series 2011 S-1 Bonds are payable from State Building Aid, subordinate to payment of the Pre-07 S-1 Obligations. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS."

The Series 2011 S-1 Bonds will be issued in denominations of $5,000 and any integral multiple thereof, and will bear interest calculated on the basis of a 360-day year of 30-day months.

Designation of Bonds as "Build America Bonds"

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

Mandatory Redemption

The Build America Bonds maturing on July 15, 2025, 2030 and 2040, are term bonds subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, without premium, on the dates and in the amounts set forth below.

	Principal Amounts to be Redeemed		
July 15,	2025 Maturity	2030 Maturity	2040 Maturity
2021	$3,145,000	$	$
2022	8,590,000		
2023	1,000,000		8,105,000
2024	1,000,000		8,700,000
2025	7,370,000*		2,970,000
2026		1,000,000	9,975,000
2027		4,000,000	7,705,000
2028		4,000,000	8,495,000
2029		4,000,000	9,335,000
2030		4,000,000*	10,230,000
2031			15,190,000
2032			16,195,000
2033			17,270,000
2034			18,415,000
2035			19,635,000
2036			20,940,000
2037			22,330,000
2038			17,390,000
2039			18,545,000
2040			19,780,000*

* Stated maturity.

The Authority may apply or credit against any annual amount subject to mandatory redemption the principal amount of any Build America Bonds maturing on July 15, 2025, 2030 and 2040, that have been defeased, purchased or redeemed and not previously so applied or credited.

See "—Notice of Redemption" below for information on the manner of selection of the Build America Bonds to be redeemed.

Optional Redemption

The Tax-Exempt Bonds are not subject to redemption prior to their stated maturity dates. The Build America Bonds are subject to optional redemption as described below.

Optional Redemption of Par Call Bonds

The Build America Bonds maturing on July 15, 2030 (the "Par Call Bonds") are subject to optional redemption prior to their maturity at the option of the Authority in whole or in part at any time:

(1) If prior to July 15, 2020, at a redemption price equal to the greater of:

(i) the issue price set forth on the inside cover page hereof (but not less than 100%) of the principal amount of such Par Call Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Par Call Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Par Call Bonds are to be redeemed, discounted to the date on which such Par Call Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 50 basis points; and

(2) If on or after July 15, 2020, at a redemption price equal to 100% of the principal amount thereof;

plus, in each case, accrued interest to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed, provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Optional Redemption of Build America Bonds (other than Par Call Bonds)

The Build America Bonds (other than the Par Call Bonds) are subject to redemption prior to their stated maturity dates at the option of the Authority, in whole or in part on any date at a make-whole optional redemption price equal to the greater of:

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

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Build America Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Build America Bonds are to be redeemed, discounted to the date on which such Build America Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 50 basis points;

plus, in each case, accrued interest on such Build America Bonds to be redeemed to the redemption date.

Extraordinary Optional Redemption of Build America Bonds

The Build America Bonds are subject to redemption prior to their stated maturity dates at the option of the Authority, in whole or in part, upon the occurrence of an Extraordinary Event, at a redemption price equal to the greater of:

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

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Build America Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Build America Bonds are to be redeemed, discounted to the date on which such Build America Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 100 basis points;

plus, in each case, accrued interest on such Build America Bonds to be redeemed on the redemption date.

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

See "—Notice of Redemption" below for information on the manner of selection of the Build America Bonds to be redeemed as described under this subheading "Optional Redemption."

Notice of Redemption

On or after any redemption date, interest will cease to accrue on the Build America Bonds called for redemption. The Authority expects that such Build America Bonds escrowed to maturity in the future will remain subject to optional redemption by the Authority.

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

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

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

It is the Authority's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, none of the Authority or the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Build America Bonds, other than the Par Call Bonds, on such basis. If the DTC operational arrangements do not allow for the redemption of such Bonds on a pro rata pass-through distribution of principal basis as discussed above, then such Bonds will be selected for redemption, in accordance with DTC procedures, by lot. If the Build America Bonds, other than the Par Call Bonds, are not registered in book-entry only form, any redemption of less than all of a maturity of the Build America Bonds, other than the Par Call Bonds, shall be allocated among the registered owners of such Bonds on a pro-rata basis.

If less than all of the Par Call Bonds of a maturity are called for prior redemption, such Par Call Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

Defeasance

The Series 2011 S-1 Bonds are subject to legal defeasance in accordance with the Indenture. As a condition to legal defeasance of any of the Bonds, the Authority must obtain an opinion of counsel to the effect that the owners thereof will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred. See "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT—The Indenture—*Defeasance*."

Other Series

The Authority may from time to time request the authentication and delivery of an additional Series of Building Aid Revenue Bonds. See "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BUILDING AID REVENUE BONDS—Additional Building Aid Revenue Bonds."

Debt Service Requirements

The following schedule sets forth, for each 12-month period ending June 30 of the years shown, the amounts required to be paid by the Authority for the payment of debt service on the Series 2011 S-1 Bonds, on all Outstanding Building Aid Revenue Bonds and total debt service on Building Aid Revenue Bonds during such period.

		Series 2011 S-1 Bonds Debt Service			
Fiscal Year	Debt Service on Outstanding Building Aid Revenue Bonds	Principal and Mandatory Redemption Installments	Interest	Total	Total Debt Service on Building Aid Revenue Bonds(1)
2011	$148,589,837				$148,589,837
2012	275,155,124		$25,550,191	$25,550,191	300,705,314
2013	201,850,461	$ 4,545,000	22,257,234	26,802,234	228,652,695
2014	286,141,580	4,680,000	22,118,859	26,798,859	312,940,439
2015	287,312,139	4,820,000	21,952,259	26,772,259	314,084,398
2016	287,272,106	6,235,000	21,746,159	27,981,159	315,253,265
2017	287,178,269	6,455,000	21,485,084	27,940,084	315,118,353
2018	287,299,710	6,760,000	21,189,634	27,949,634	315,249,344
2019	287,070,588	7,045,000	20,874,434	27,919,434	314,990,022
2020	287,010,465	7,390,000	20,518,559	27,908,559	314,919,024
2021	284,443,974	7,760,000	20,138,700	27,898,700	312,342,674
2022	284,384,080	8,145,000	19,710,934	27,855,934	312,240,014
2023	284,496,831	8,590,000	19,211,814	27,801,814	312,298,645
2024	284,251,236	9,105,000	18,637,628	27,742,628	311,993,864
2025	284,369,701	9,700,000	18,001,865	27,701,865	312,071,565
2026	284,318,148	10,340,000	17,343,814	27,683,814	312,001,961
2027	284,259,160	10,975,000	16,637,614	27,612,614	311,871,774
2028	284,187,315	11,705,000	15,855,819	27,560,819	311,748,134
2029	284,073,465	12,495,000	15,017,631	27,512,631	311,586,096
2030	284,026,881	13,335,000	14,123,795	27,458,795	311,485,676
2031	283,960,388	14,230,000	13,170,725	27,400,725	311,361,113
2032	283,863,413	15,190,000	12,160,327	27,350,327	311,213,739
2033	282,195,300	16,195,000	11,088,843	27,283,843	309,479,143
2034	283,034,322	17,270,000	9,946,348	27,216,348	310,250,669
2035	282,942,966	18,415,000	8,728,062	27,143,062	310,086,027
2036	282,852,522	19,635,000	7,429,035	27,064,035	309,916,557
2037	282,668,116	20,940,000	6,043,804	26,983,804	309,651,920
2038	198,692,841	22,330,000	4,566,566	26,896,566	225,589,407
2039	153,132,997	17,390,000	3,210,526	20,600,526	173,733,522
2040		18,545,000	1,983,705	20,528,705	20,528,705
2041		19,780,000	675,289	20,455,289	20,455,289

(1) Totals may not add due to rounding. Figures do not reflect federal subsidy of 35% of interest on Build America Bonds.

Use of Proceeds

The proceeds of the Series 2011 S-1 Bonds will be used to finance a portion of the costs of one or more Five-Year Plans. Certain expenses of the Authority incurred in connection with the issuance and sale of the Series 2011 S-1 Bonds will be paid from the proceeds of the Series 2011 S-1 Bonds.

Book-Entry Only System

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

DTC, New York, New York, will act as securities depository for the Securities. References to the Securities under the caption "Book-Entry Only System" shall mean all Series 2011 S-1 Bonds held in the United States through DTC. The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each principal amount of Securities of each series maturing on a specific date and bearing interest at a specific interest rate, each in the aggregate principal amount of such quantity of Security, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3 5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

Redemption notices shall be sent to DTC.

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

Principal and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Securities at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

Unless otherwise noted, the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information furnished by DTC. Neither the Authority nor the Underwriters makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Global Clearance Procedures

Reference to the Securities under the caption "Global Clearance Procedures" shall mean all Series 2011 S-1 Bonds except for beneficial ownership interests in Series 2011 S-1 Bonds in the United States, which are held through DTC. The Securities initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Securities. Purchases of the Securities will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

Clearstream

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

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

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

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

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

Euroclear

Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Participants, as defined in the Terms and Conditions Governing Use of Euroclear as amended from time to time (the "Terms and Conditions"), and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

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

<u>Initial Distribution</u>. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities

processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

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

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

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

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

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

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

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

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

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

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

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a crossmarket transaction will settle no differently from a trade between two participants.

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

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

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

CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE AUTHORITY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE SECURITIES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE SECURITIES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC, CLEARSTREAM, EUROCLEAR AND THEIR BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC, CLEARSTREAM AND EUROCLEAR, RESPECTIVELY, AND NEITHER THE AUTHORITY NOR THE UNDERWRITERS MAKES ANY REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Other Information

For additional information regarding the Series 2011 S-1 Bonds and the Indenture, see "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

SECTION V: THE AUTHORITY

Purpose and Operations

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

The Authority does not have any significant assets or sources of funds other than the Tax Revenues and State Building Aid and amounts on deposit pursuant to the Indenture. The Authority has no source of payment for the Building Aid Revenue Bonds other than State Building Aid and, in the case of the Build America Bonds, the federal subsidies described below. The Bonds will not be insured or guaranteed by the City or the State. Consequently, holders of the Bonds must rely for repayment solely upon the sources of payment described herein.

The Authority also derives Revenues from federal subsidies with respect to Build America Bonds and Qualified School Construction Bonds under the Recovery Act, but such Revenues are not pledged to the Holders of the Series 2011 S-1 Bonds. For a description of the application of such federal subsidies under the Indenture, see "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

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

Directors and Management

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

Mark Page, Chairperson	—	Director of Management and Budget of the City
David M. Frankel	—	Commissioner of Finance of the City
John C. Liu	—	Comptroller of the City
David Burney	—	Commissioner of the Department of Design and Construction of the City
Christine Quinn	—	Speaker of the City Council

The following is a brief description of certain officers and staff members of the Authority:

Alan L. Anders, Executive Director

Mr. Anders was appointed Treasurer in April 1997 and subsequently was appointed Executive Director in June 2006. Mr. Anders also serves as Deputy Director for Finance of the Office of Management and Budget of the City. Prior to joining the City in September 1990, Mr. Anders was a senior investment banker for J.P. Morgan Securities since 1977 and prior to that date was Executive Director of the Commission on Governmental Efficiency and Economy in Baltimore, Maryland. Mr. Anders is a graduate of the University of Pennsylvania and the University of Maryland Law School.

Marjorie E. Henning, Secretary

Ms. Henning was appointed Secretary in April 1997. Ms. Henning also serves as General Counsel to the Office of Management and Budget of the City. Ms. Henning is a graduate of the State University of New York at Buffalo and the Harvard Law School.

F. Jay Olson, Treasurer

Mr. Olson was appointed Assistant Treasurer in October 2000 and subsequently was appointed Treasurer in June 2006. Mr. Olson is a graduate of Northwestern University, the University of Texas at Austin, and the John F. Kennedy School of Government at Harvard University.

Philip Wasserman, Deputy Treasurer

Mr. Wasserman was appointed Deputy Treasurer in January 2009. He is a graduate of Cornell University, the University of Texas at Austin and Columbia University. He is also a Professional Engineer.

Prescott D. Ulrey, General Counsel

Mr. Ulrey was appointed Assistant Secretary in 1998 and subsequently was appointed General Counsel in 2000. He is a graduate of the University of California at Berkeley, the Fletcher School of Law and Diplomacy at Tufts University and Columbia Law School. He also serves as Counsel to the Office of Management and Budget of the City

Michele Mark Levine, Comptroller

Ms. Levine was appointed Comptroller in February 2008, after acting as Assistant Comptroller since March 2005. She is a graduate of the State University of New York at Binghamton and the Maxwell School of Citizenship and Public Administration at Syracuse University.

Eileen T. Moran, Deputy Comptroller

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

Robert L. Balducci, Assistant Comptroller

Mr. Balducci was appointed Assistant Comptroller in January 2009. He is a graduate of Baruch College of the City University of New York.

Albert F. Moncure, Jr., Assistant Secretary

Mr. Moncure was appointed Assistant Secretary in 1998. He is a graduate of Dartmouth College and the Yale Law School. He also serves as Chief of the Municipal Finance Division of the New York City Law Department, where he has worked since 1986.

Other Authority Obligations

Assuming conditions specified in the Act and the Indenture are met, the Enabling Act currently permits the Authority to have outstanding $13.5 billion of Future Tax Secured Bonds and to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds outstanding, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. In addition, the Enabling Act permits the Authority to have outstanding up to $2.5 billion of bonds and notes to pay costs related to or arising from the September 11 attack on the World Trade Center. The School Financing Act authorizes the issuance of Building Aid Revenue Bonds of the Authority in an amount outstanding of up to $9.4 billion to finance portions of the Five Year Plan. Building Aid Revenue Bonds are secured by State Building Aid assigned by the City to the Authority. The Building Aid Revenue Bonds are not secured by Tax Revenues.

The Authority has Outstanding $8,847,910,000 of Future Tax Secured Bonds issued as Pre-07 S-1 Obligations (including bonds that have been economically defeased and the maturity value of capital appreciation bonds), $8,582,045,000 of Future Tax Secured Bonds issued as Post-07 S-1 Obligations and $4,125,450,000 Building Aid Revenue Bonds.

SECTION VI: LITIGATION

There is not now pending any litigation (i) restraining or enjoining the issuance or delivery of the Series 2011 S-1 Bonds or questioning or affecting the validity of the Series 2011 S-1 Bonds or the proceedings and authority under which they are issued; (ii) contesting the creation, organization or existence of the Authority, or the title of the directors or officers of the Authority to their respective offices; (iii) questioning the right of the Authority to enter into the Indenture, the Assignment or the Agreement and to pledge the State Building Aid and funds and other moneys and securities purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture and State Building Aid or (iv) questioning or affecting the levy or collection of the Personal Income Tax, Sales Tax and State Building Aid in any material respect, or the application of the Personal Income Tax, Sales Tax and State Building Aid for the purposes contemplated by the Act, or the procedure thereunder.

SECTION VII: TAX MATTERS

In the opinion of Fulbright & Jaworski L.L.P., New York, New York, as Bond Counsel, interest on the Series 2011 S-1 Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

Tax-Exempt Bonds

The Authority and the City have covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion from gross income of the interest on the Tax-Exempt Bonds for purposes of federal income taxation. In the opinion of Bond Counsel, assuming compliance by the Authority and the City with such provisions of the Code, interest on the Tax-Exempt Bonds will be excludable from the gross income of the owners thereof for purposes of federal income taxation. Failure by the Authority or the City to comply with such applicable requirements may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof retroactive to the date of the issue of the Tax-Exempt Bonds. Further, Bond Counsel will render no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action taken or not taken after the date of such opinion without the approval of Bond Counsel.

In the opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax, and, pursuant to the Recovery Act, which was signed into law on February 17, 2009, interest on the Tax-Exempt Bonds is not included as an adjustment in calculating federal corporate alternative minimum taxable income for purposes of determining a corporation's alternative minimum tax liability. The Code contains provisions (some of which are noted below) that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of ownership of the Tax-Exempt Bonds or the receipt of interest thereon.

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

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

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

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

Build America Bonds

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

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

Internal Revenue Service Circular 230 Notice. Prospective investors should be aware that:

(a) the discussion in this Official Statement with respect to certain U.S. federal income tax consequences of purchasing and owning the Build America Bonds is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed under the Code;

(b) such discussion was written in connection with the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed in this Official Statement; and

(c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

This notice is given solely for purposes of ensuring compliance with IRS Circular 230 with respect to the discussion below regarding the Build America Bonds.

Stated Interest and Reporting of Interest Payments. The stated interest on the Build America Bonds will be included in the gross income, as defined in Section 61 of the Code, of the Beneficial Owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the Beneficial Owners thereof. Subject to certain exceptions, the stated interest on the Build America Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address, and taxpayer identification number ("TIN") of the Beneficial Owner. A copy of Form 1099 will be sent to each Beneficial Owner of a Build America Bond for federal income tax purposes.

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

Premium. If a United States person purchases a Build America Bond for an amount that is greater than its stated redemption price at maturity, such United States person will be considered to have purchased the Build America Bond with ''amortizable bond premium'' equal in amount to such excess. A United States person may elect to amortize such premium using a constant yield method over the remaining term of the Build America Bond and may offset interest otherwise required to be included in respect of the Build America Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Build America Bond held by a United States person that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Build America Bond. However, if the Build America Bond may be optionally redeemed after the United States person acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Build America Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the United States person on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

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

Backup withholding will not apply, however, if the Beneficial Owner is a corporation or falls within certain tax-exempt categories and, when required, demonstrates such fact. BENEFICIAL OWNERS OF THE BUILD AMERICA BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THEIR QUALIFICATION FOR EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURE FOR OBTAINING SUCH EXEMPTION, IF APPLICABLE. The backup withholding tax is not an additional tax and taxpayers may use amounts withheld as a credit against their federal income tax liability or may claim a refund as long as they timely provide certain information to the Service.

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

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

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

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and section 4975 of the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In addition, each fiduciary of a Plan ("Plan Fiduciary") must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Bonds, including the role that such an investment in the Bonds would play in the Plan's overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Bonds, must be satisfied that such investment in the Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Bonds, are diversified so as to minimize the risk of large losses and that an investment in the Bonds complies with the documents of the Plan and related trust, to the extent that such documents are consistent with ERISA. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bond.

SECTION VIII: RATINGS

The Series 2011 S-1 Bonds are rated "AA-" by Standard & Poor's, "Aa3" by Moody's and "AA-" by Fitch. Such ratings reflect only the views of Standard & Poor's, Moody's and Fitch from which an explanation of the significance of such ratings may be obtained. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency originally establishing the rating, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Series 2011 S-1 Bonds.

SECTION IX: APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance and delivery of the Series 2011 S-1 Bonds are subject to the approval of Fulbright & Jaworski L.L.P., New York, New York, Bond Counsel to the Authority. Certain legal matters are subject to the approval of the New York City Corporation Counsel, counsel to the Authority and the City, and of Winston & Strawn LLP, New York, New York, counsel to the Underwriters.

SECTION X: FINANCIAL ADVISORS

Public Resources Advisory Group, New York, New York, and A.C. Advisory, Inc., Chicago, Illinois, are acting as financial advisors to the Authority in connection with the issuance of the Series 2011 S-1 Bonds.

SECTION XI: FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the years ended June 30, 2010 and June 30, 2009 included in Appendix B to this Official Statement have been audited by Marks Paneth & Shron LLP, independent certified public accountants, as stated in their report appearing therein. Marks Paneth & Shron LLP, the Authority's independent auditor has not reviewed, commented on or approved, and is not associated with, this Official Statement. The report of Marks Paneth & Shron LLP relating to the Authority's financial statements for the fiscal years ended June 30, 2010 and 2009, which is a matter of public record, is included in this Official Statement. However, Marks Paneth & Shron LLP has not performed any procedures on any financial statements or other financial information of the Authority, including without limitation any of the information contained in this Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

SECTION XII: CONTINUING DISCLOSURE UNDERTAKING

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

The Authority shall provide:

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

(b) in a timely manner to EMMA, notice of any of the following events with respect to the Building Aid Revenue Bonds, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

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

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

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

(6) adverse tax opinions or events affecting the tax-exempt status of the Tax-Exempt Bonds;

(7) modifications to rights of security holders;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities;

(11) rating changes; and

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

The Authority will not undertake to provide any notice with respect to (1) credit enhancement if the credit enhancement is added after the primary offering of the Series 2011 S-1 Bonds, the Authority does not apply for or participate in obtaining the enhancement and the enhancement is not described in the applicable Official Statement; (2) a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if (a) the terms, dates and amounts of redemption are set forth in detail in the applicable Official Statement, (b) the only open issue is which securities will be redeemed in the case of a partial redemption, (c) notice of redemption is given to the Holders as required under the terms of the Indenture and (d) public notice of the redemption is given pursuant to Release No. 23856 of the SEC under the 1934 Act, even if the originally scheduled amounts may be reduced by prior optional redemptions or purchases; or (3) tax exemption other than pursuant to the Act or Section 103 of the Code.

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

York, and for the equal benefit of all holders of the outstanding bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

An amendment to the Undertaking may only take effect if:

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

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

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

The State has not agreed to provide continuing disclosure regarding the Series 2011 S-1 Bonds. However, the Authority has agreed to provide continuing disclosure with respect to information relating to the State.

SECTION XIII: UNDERWRITING

The Series 2011 S-1 Bonds are being purchased for reoffering by the Underwriters, for whom Loop Capital Markets LLC is acting as Lead Manager. The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2011 S-1 Bonds from the Authority at an aggregate underwriters' discount of $2,267,511.03 and to make an initial public offering of the Series 2011 S-1 Bonds at prices that are not in excess of the initial public offering prices set forth on the inside cover page of this Official Statement, plus accrued interest, if any. The Underwriters will be obligated to purchase all the Series 2011 S-1 Bonds if any Series 2011 S-1 Bonds are purchased.

The Series 2011 S-1 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriters.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the Series 2011 S-1 Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The delivery of each subseries of the Series 2011 S-1 Bonds is dependent upon the delivery of all of the subseries of the Series 2011 S-1 Bonds.

SECTION XIV: LEGAL INVESTMENT

Pursuant to the Act, the Bonds and Notes of the Authority are securities in which all public officers and bodies of the State and all public corporations, municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, conservators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. Pursuant to the Act, the Bonds and Notes may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

SECTION XV: MISCELLANEOUS

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

The agreements of the Authority with holders of the Series 2011 S-1 Bonds are fully set forth in the Indenture. Neither any advertisement of the Series 2011 S-1 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2011 S-1 Bonds.

The delivery of this Official Statement has been duly authorized by the Authority.

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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Appendix A

SUMMARY OF INDENTURE AND AGREEMENT

This summary of the Indenture and the Agreement, each as proposed to be in effect upon the delivery of the Series 2011 S-1 Bonds, is qualified in its entirety by reference to such documents, copies of which are available from the Authority.

Definitions. The following terms, among others, are defined in the Indenture, the Assignment or the Agreement:

"Accounts" means the School Bond Account, the Recovery and Parity Debt Account, the Collection Account, the Bond Account, the Redemption Account and such other Accounts as may be established and so designated pursuant to the Indenture.

"Act" means the New York City Transitional Finance Authority Act, as in effect from time to time, and as the context requires, other provisions of Chapter 16 of the laws of New York 1997, as amended, and the School Financing Act.

"Agreement" means the Financing Agreement dated October 1, 1997, between the Authority and the City as amended, supplemented and in effect from time to time.

The term **"ancillary contracts"** means contracts entered into pursuant to law by the Authority or for its benefit or the benefit of any of the Beneficiaries to facilitate the issuance, sale, resale, purchase, repurchase or payment of Bonds or Notes, including bond insurance, letters of credit and liquidity facilities.

"Annual School Bond Debt Service" means the total amount required to be paid from the School Bond Account in a Fiscal Year, based on School Bonds Outstanding and to be issued.

"Assignment" means the Assignment of State Aid dated October 19, 2006, as amended, and includes each further assignment of State aid by the City to the Authority pursuant to the School Financing Act.

"Beneficiaries" means Bondholders and, to the extent specified in the Indenture, Noteholders and the parties to and beneficiaries of ancillary and swap contracts.

"Bondholders," "Holders," "Noteholders" and similar terms mean the registered owners of the Bonds and Notes from time to time as shown on the books of the Authority, and, to the extent specified by Series Resolution, the owners of bearer Bonds and Notes.

"Bonds" means all obligations issued by the Authority as bonds.

"Build America Bonds" or **"BABs"** means Build America Bonds under Section 54AA of the Tax Code.

"Building Aid" means the State school building aid described in the Assignment.

"Building Aid Subaccount" means the subaccount of the Collection Account so designated and held by the Trustee pursuant to the Indenture.

"Business Day" means, subject to the Series Resolutions, a day (a) other than a day on which commercial banks in the City of New York, New York, are required or authorized by law or executive order to close and (b) on which neither the City nor the New York Stock Exchange is closed.

"Capital Financing Need" means a period during which and only the extent to which the issuance of Bonds or Notes in accordance with the Act would assist the City in meeting its capital needs as determined by the Mayor pursuant to the Act.

"Chapter 297" means Chapter 297 of the Laws of 2001 of the State, as it may be amended and in effect from time to time.

"Collection Quarter" means the three months beginning each August, November, February and May.

"Competing Claims" include all claims to, and diversions, reductions and withholdings of, Education Aid adverse to the Authority, such as: (x) claims of (i) holders of general obligation bonds of the City issued for school purposes; (ii) holders of the State of New York Municipal Bond Bank Agency Special School Purpose Revenue Bonds (Prior Year Claims), 2003 Series C; and (iii) holders of the New York City Educational Construction Fund Revenue Bonds, 2005 Series A; and (y) State withholdings or recoveries of Education Aid for the City's failure to provide certain educational services (e.g., courses in special areas, certain number of instructional days, certain health services, services for handicapped students, administrative practices or willful disobedience of certain laws or directives) or to otherwise correct errors or omissions in apportionments of Education Aid pursuant to Subdivision 5 of Section 3604 of the Education Law, as statutorily mandated.

"Confirmed Building Aid" means Building Aid statutorily required to be paid to the Authority with respect to approved projects, subject to appropriation, but not to any other statutory or administrative conditions or approvals, and which shall be calculated in accordance with the State Covenant and with the building aid ratios applicable to such projects at the date of calculation.

"Counsel" means nationally recognized bond counsel or such other counsel as may be selected by the Authority for a specific purpose.

"Debt Service" or "Senior Debt Service" means interest, redemption premium, purchase price to the extent provided by Officer's Certificate, Sinking Fund Requirements and (without duplication) principal payments due on or on account of Outstanding Senior Bonds and (to the extent provided by Series Resolution) Notes and amounts payable from the Bond Account on Senior Agreements. Principal of Notes and termination payments on swap contracts shall be deemed Debt Service only to the extent expressly specified in the text of a Series Resolution.

"Deductions" refers to (i) the practice in effect at the date hereof under which, pursuant to the Education Law, the State Comptroller deducts from Education Aid amounts required to reimburse the State for certain expenditures made by the State for the education of blind, deaf and handicapped children resident in the City and (ii) withholdings, disallowances or recoveries of Education Aid as a result of administrative reviews, audits or other procedures relating to such Education Aid, other than administrative reviews, audits or other procedures relating to Building Aid.

"Defeasance Collateral" means money and (A) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Authority obtains Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(B) obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof);

(C) certificates evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (B), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian;

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

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

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

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

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

(i) Defeasance Collateral;

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

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

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

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

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

(vii) securities bearing interest or sold at a discount that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated in one of the two highest categories by Moody's and either A-1+ or in one of the two highest long-term categories by Standard & Poor's at the time of such investment or contractual commitment

(viii) providing for such investment; provided, however, that securities issued by any such corporation will not be Eligible Investments to the extent that investment therein would cause the then outstanding principal amount of securities issued by such corporation that are then held to exceed 20% of the aggregate principal amount of all Eligible Investments then held;

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

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

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

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

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

"FHLMC" means the Federal Home Loan Mortgage Corporation.

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

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

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

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

"FNMA" means the Federal National Mortgage Association.

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

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

"Indenture" means the Amended and Restated Original Indenture entered into as of October 1, 1997, as supplemented, and as amended and restated October 25, 2010.

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

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

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

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

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

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

"Notes" means all obligations issued by the Authority as notes.

The term **"operating expenses"** means all expenses incurred by the Authority in the administration of the Authority including but not limited to salaries, administrative expenses, insurance premiums, auditing and legal expenses, fees and expenses incurred for professional consultants and fiduciaries, payments on Notes and swap and ancillary contracts not paid as Costs or from the Bond Account, transfers to pay or service Subordinate Bonds, and all operating expenses so identified by Supplemental Indenture.

"Outstanding," when used to modify Bonds or Notes, refers to Bonds or Notes issued under the Indenture, excluding: (i) Bonds or Notes which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment; (ii) Bonds or Notes which have been paid; (iii) Bonds or Notes which have become due and for the payment of which money has been duly provided; (iv) Bonds or Notes for which there have been irrevocably set aside sufficient Defeasance Collateral timely maturing and bearing interest, to pay or redeem them; and if any such Bonds or Notes are to be redeemed prior to maturity, the Authority shall have taken all action necessary to redeem such Bonds or Notes and notice of such redemption shall have been duly mailed in accordance with the Indenture or irrevocable instructions so to mail shall have been given to the Trustee; (v) Bonds and Notes the payment of which shall have been provided for pursuant to the defeasance provisions of the Indenture; and (vi) for purposes of any consent or other action to be taken by the Holders of a Majority in Interest or specified percentage of Bonds or Notes, Bonds or Notes held by or for the account of the Authority, the City or any person controlling, controlled by or under common control with either of them.

"Parity Debt" means Recovery Obligations and Bonds or Notes payable from the Recovery and Parity Debt Account on a parity with the Recovery Bonds or Recovery Notes, respectively.

"Payment Period" means the three months following each Collection Quarter.

"Personal Income Taxes" means the taxes paid or payable to the Authority pursuant to §1313 of the Tax Law or a successor statute.

"Post-07 S-1 Parity Debt" means Parity Debt issued after November 16, 2006, or so identified pursuant to a Series Resolution.

"Post-07 S-1 Parity Subaccount" means the subaccount so designated and held by the Trustee pursuant to the Indenture, which subaccount shall be applied to the payment of Post-07 S-1 Parity Debt.

"Post-07 S-1 Senior Debt" means obligations payable from the Bond Account that are either incurred after November 16, 2006, or identified as Post-07 S-1 Senior Debt pursuant to a Series Resolution.

"Post-07 S-1 Senior Subaccount" means the subaccount so designated and held by the Trustee pursuant to the Indenture, which subaccount shall be applied to the payment of Post-07 S-1 Senior Debt.

"Pre-07 S-1 Parity Debt" means Parity Debt that is not Post-07 S-1 Parity Debt.

"Pre-07 S-1 Parity Subaccount" means the subaccount so designated and held by the Trustee pursuant to the Indenture, which subaccount shall be applied to the payment of Pre-07 S-1 Parity Debt.

"Pre-07 S-1 Senior Bonds" means Senior Bonds that are not Post-07 S-1 Senior Debt.

"Pre-07 S-1 Senior Subaccount" means the subaccount so designated and held by the Trustee pursuant to the Indenture, which subaccount shall be applied to the payment of Pre-07 S-1 Senior Bonds.

"Prior Claims" means the Competing Claims to which the Authority's right to the Building Aid is subordinated by the School Financing Act.

"Project Capital Costs" or **"Costs"** means (i) costs, appropriated in the capital budget of the City pursuant to Chapters 9 and 10 of the City Charter, as amended from time to time, providing for the construction, reconstruction, acquisition or installation of physical public betterments or improvements which would be classified as capital assets under generally accepted accounting principles for municipalities, or (ii) the costs of any preliminary studies, surveys, maps, plans, estimates and hearings, or (iii) incidental costs, including legal fees, printing or engraving, publication of notices, taking of title, apportionment of costs, and interest during construction, or (iv) any underwriting or other costs incurred in connection with the financing thereof, or (v) to the extent financed by Recovery Obligations, Recovery Costs (the financing of which is not limited by references to the Capital Financing Need), but (vi) to the extent financed by School Bonds or School Notes, only School Capital Costs.

"Projects" means the projects identified in Exhibit A to the Agreement and all other projects, any costs of which are included in a Transitional Capital Plan pursuant to the Act or are Recovery Costs, and financed, by payment or reimbursement, with the proceeds of Bonds or Notes.

"Qualified School Construction Bonds" or **"QSCBs"** means qualified school construction bonds under Section 54F of the Tax Code.

"Qualified Swap" means an ancillary or swap contract with a counterparty (i) the debt securities of which are rated in one of the two highest long-term debt rating categories by S&P or (ii) the obligations of which under the contract are either guaranteed or insured by an entity the debt securities or insurance policies of which are so rated or (iii) the debt securities of which are rated in the third highest long-term debt rating category by S&P or whose obligations are guaranteed or insured by an entity so rated, in either case the obligations of which under the contract are continuously and fully secured by Eligible Investments meeting criteria provided by S&P to the Authority and then in effect.

"Quarterly Debt Service" or **"Quarterly Senior Debt Service"** means as of any date, Senior Debt Service for the following Payment Period, as certified to the Trustee by Officer's Certificate.

"Quarterly Subordinate Debt Service" means as of any date, Subordinate Debt Service for the following Payment Period, as certified to the Trustee by Officer's Certificate.

“Rating Agency” means each nationally recognized statistical rating organization that has, at the request of the Authority, a rating in effect for the unenhanced Senior Bonds.

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

“Rating Confirmation” means evidence that no Senior Bond rating in effect from a Rating Agency will be withdrawn or reduced solely as a result of an action to be taken under the Indenture.

“Recovery and Parity Debt Account” or “**Recovery Account**” means the Account established under the Indenture to provide for the payment of debt service on Recovery Obligations and Parity Debt.

“Recovery Bonds” means Recovery Obligations issued as Bonds.

“Recovery Costs” means costs described in Chapter 297.

“Recovery Notes” means Recovery Obligations issued as Notes.

“Recovery Obligations” means bonds, notes or other obligations described in Chapter 297.

“Remaining Building Aid” means the Authority’s projection of the balance of Net Building Aid to be received in the current Fiscal Year, based on the latest estimates from the State and such other information as the Authority deems relevant.

“Revenues” means the Tax Revenues (including Alternative Revenues paid or payable to the Authority), the Building Aid and all aid, rents, fees, charges, payments and other income and receipts (other than Note or Bond proceeds) paid or payable to the Authority or the Trustee for the account of the Authority.

“Sales Taxes” means Alternative Revenues as defined in the Act; that is, (i) sales and compensating use taxes that the City is authorized by the State to impose and (ii) taxes imposed pursuant to § 1107 of the Tax Law; and successor taxes.

“School Bond Account” means the account so designated and held by the Trustee pursuant to the Indenture.

“School Bond Rating Confirmation” means evidence that no School Bond rating in effect at the request of the Authority from a nationally recognized statistical rating organization will be withdrawn or reduced in Rating Category solely as a result of an action to be taken under the Indenture.

“School Bonds” means School Obligations issued as Bonds.

“School Capital Costs” means Costs referred to in the School Financing Act.

“School Financing Act” means part A-3 of chapter 58 of the laws of New York, 2006, as it may be amended and in effect from time to time.

“School Notes” means School Obligations issued as Notes, which shall mature within 13 months from their date of issue.

“School Obligations” means bonds, notes, swaps and ancillary contracts payable from the School Bond Account.

“Senior Agreements” means ancillary and swap contracts to the extent that amounts are payable thereon from the Bond Account pursuant to a Series Resolution.

“Senior Bonds” means all Bonds issued as Senior Bonds.

“Series” means all Notes or Bonds so identified in a Series Resolution, regardless of variations in maturity, interest rate or other provisions, and any Notes or Bonds thereafter delivered in exchange or replacement therefor.

“Series Fiscal Year” means each Fiscal Year in which School Bonds of a Series are scheduled to be Outstanding; in which, unless otherwise specified by Series Resolution, each payment of principal or interest shall be made on July 15 or January 15.

“Sinking Fund” means each Sinking Fund Subaccount under the Indenture. To the extent necessary for compliance with the Authority’s tax covenants and other provisions of the Indenture and the Act, the Authorized Officers of the Authority may subdivide each such subaccount in respect of separate categories or issues of Sinking Fund Bonds.

“Sinking Fund Bonds” means Bonds so designated by Series Resolution that are issued pursuant to the Indenture, the Act and such provisions of the LFL as are not inappropriate to be applied to the Sinking Fund Bonds.

“Sinking Fund Requirement” means each annual scheduled contribution to a Sinking Fund for the redemption, at or prior to maturity, of Sinking Fund Bonds of a Series. The Authority may apply or credit against any Sinking Fund Requirement the principal amount of any Bonds to which that Sinking Fund Requirement applies that have been purchased or redeemed and not previously so applied or credited.

“Standard & Poor’s” or **“S&P”** means Standard & Poor’s Ratings Services; references to Standard & Poor’s are effective so long as Standard & Poor’s is a Rating Agency.

“State” means the State of New York.

“Statutory Revenues” means Personal Income Taxes and Sales Taxes.

“Subordinate Agreements” means ancillary and swap contracts to the extent that such contracts are not Senior Agreements.

“Subordinate Bonds” means all Bonds but Senior Bonds.

“Subordinate Debt Service” means interest, redemption premium, purchase price to the extent provided by Officer’s Certificate, Sinking Fund Requirements and (without duplication) principal payments due on or on account of Outstanding Parity Debt issued as Bonds and interest on Parity Debt issued as Notes.

The term **“swap contract”** or “**swap**” means an interest rate exchange or similar agreement entered into by the Authority with Rating Confirmation by Standard & Poor’s pursuant to the Act and any appropriate provisions of the LFL that are applicable to the City and made applicable to the Authority by the Act.

“Tax-Exempt Bonds” or **“Tax-Exempt Notes”** means all Bonds or Notes so identified in any Series Resolution.

“Tax Revenue Subaccount” means the subaccount of the Collection Account so designated and held by the Trustee pursuant to the Indenture.

“Tax Revenues” means the Personal Income Taxes and such other revenues, including Sales Taxes (but excluding Building Aid), as the Authority may derive directly from the State from taxes imposed by the City or the State and collected by the State.

“Transitional Capital Plan” means such plan in effect pursuant to the Act.

“Unfunded Balance,” with respect to the Building Aid, means Annual School Bond Debt Service remaining to be paid in a Fiscal Year, plus Annual School Bond Debt Service for the following Fiscal Year, minus the amount held in the School Bond Account, but not less than zero.

THE INDENTURE

Directors, State and City Not Liable on Notes or Bonds. Neither the Directors of the Authority nor any person executing Notes, Bonds or other obligations of the Authority shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

The Notes, Bonds and other obligations of the Authority shall not be a debt of either the State or the City, and neither the State nor the City shall be liable thereon, nor shall they be payable out of any funds other than those of the Authority; and the Notes and Bonds shall contain on the face thereof a statement to such effect.

Security and Pledge. Pursuant to the Act, the Authority assigns and pledges to the Trustee (a) the Revenues, (b) all rights to receive the Revenues and the proceeds of such rights, (c) all money and Accounts held by the Trustee, (d) the covenants of the City and the State and (e) any and all other property of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security. Except as specifically provided, this assignment and pledge does not include: (i) the rights of the Authority pursuant to provisions for consent or other action by the Authority, notice to the Authority, indemnity or the filing of documents with the Authority, or otherwise for its benefit and not for that of the Beneficiaries, or (ii) any right or power reserved to the Authority pursuant to the Act or other law. The Authority will implement, protect and defend this pledge by all appropriate legal action, the cost thereof to be an operating expense. The preceding, and all pledges and security interests made and granted by the Authority pursuant hereto, are immediately valid, binding and perfected to the full extent provided by the Act. The foregoing collateral is pledged and a security interest is therein granted, to secure the payment of Bonds, Notes, and payments in respect of Senior Agreements and Subordinate Agreements; provided, however, that the pledge and security interest granted to secure the Authority’s obligation to pay Subordinate Bonds and Subordinate Agreements shall be subject and subordinate to the pledge and security interest granted to secure Debt Service, and all Revenues, including the Building Aid, shall be applied in accordance with the Indenture. The lien of such pledge and the obligation to perform the contractual provisions shall have priority over any or all other obligations and liabilities of the Authority secured by the Revenues. The Authority shall not incur any obligations, except as authorized by the Indenture, secured by a lien on the Revenues or Accounts equal or prior to the lien of the Indenture.

Defeasance of the Indenture. When (a) there is held by or for the account of the Trustee Defeasance Collateral in such principal amounts, bearing interest at such rates and with such maturities as will provide sufficient funds to pay or redeem all obligations to Beneficiaries in full, (b) if any Bonds or Notes are to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bonds or Notes and notice of such redemption shall have been duly given or irrevocable instructions to give notice shall have been given to the Trustee, and (c) all the rights of the Authority and the Trustee have been provided for, then upon written notice from the Authority to the Trustee, the Beneficiaries shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment of the funds so held and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien, the security interests created by the Indenture (except in such funds and investments) shall terminate, and the Authority and the Trustee shall execute and deliver such instruments as may be necessary to discharge the Trustee’s lien and security interests.

Legal Defeasance of Particular Bonds. If (a) any Bonds or Notes are identified as legally defeased in a Series Resolution pursuant to the Indenture, (b) there is held by or for the account of the Trustee Defeasance Collateral in such principal amounts, bearing fixed interest at such rates and with such maturities as will provide sufficient funds to pay or redeem all obligations to the Holders of such Bonds in full (to be verified by a nationally recognized firm of independent certified public accountants), (c) the Authority has taken all action necessary to redeem any such Bonds or Notes to be redeemed prior to maturity and notice of such redemption has been duly given or irrevocable instructions to give notice have been given to the Trustee, and (d) unless otherwise specified by Series Resolution at issuance of the Bonds or Notes to be defeased, the Authority has delivered to the Trustee an opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts (if any), in the same manner and at the same times as would have been the case if such legal defeasance had not occurred, then the Authority's obligations under the Indenture with respect to such Bonds or Notes shall terminate, the debt represented thereby shall be legally satisfied, and the Holders shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment of the funds so held and other rights which by their nature cannot be satisfied until such Bonds or Notes are actually paid. Upon such defeasance, the funds and investments required to pay or redeem the Bonds or Notes shall be irrevocably set aside for that purpose and money held for defeasance shall be invested only as described above and applied to the retirement of the Bonds or Notes.

Notes and Bonds of the Authority. By Series Resolution complying procedurally and in substance with the Act and the Indenture, the Authority may authorize, issue, sell and deliver (i) Bonds or (ii) Notes in anticipation thereof, from time to time in such principal amounts as the Authority shall determine to be necessary, to provide sufficient funds to meet a Capital Financing Need, including paying and reimbursing Project Capital Costs, and funding reserves to secure Notes or Bonds; and may issue Notes or Bonds to renew or refund Notes or Bonds, by exchange, purchase, redemption or payment, and establish such escrows therefor as it may determine.

Bonds and Notes may be issued only:

(i) as Senior Bonds (or Notes in anticipation thereof) to pay or reimburse Project Capital Costs or refund or renew such Bonds or Notes, but not to exceed $12 billion in Outstanding principal amount, and subject to a $330 million limit on Quarterly Debt Service to be payable, or

(ii) as Subordinate Bonds (or Notes in anticipation thereof), with Rating Confirmation; but

(iii) no Series of Senior Bonds shall be authenticated and delivered without Rating Confirmation except upon receipt by the Trustee of the following:

- (w) a certificate by the Director of Management and Budget setting forth the most recent collections for the 12 consecutive calendar months ended not more than two months prior to the date of such certificate, of the Statutory Revenues, in effect at the date of issuance of such Series of Bonds, collected by the State and to be payable to the Authority; and

- (x) an Officer's Certificate of the Authority setting forth

  - (I) the aggregate amount of Debt Service (excluding any accrued or capitalized interest), including such series of Bonds, for each Fiscal Year such Bonds will be Outstanding,

  - (II) the aggregate amount of operating expenses as estimated by an Authorized Officer of the Authority for the current Fiscal Year, and

  - (III) that the amounts set forth pursuant to clause (w) after deducting the operating expenses set forth pursuant to clause (x)(II), will be at least three times such aggregate amount set forth in clause (x)(I) for each Fiscal Year set forth pursuant to clause (x)(I).

Each interest rate on Outstanding and proposed variable-rate Bonds or Notes (if not economically fixed), shall be assumed at the maximum rate payable to investors other than parties to an ancillary contract.

The Notes and Bonds shall bear such dates and shall mature at such times as the Authority may provide pursuant to the Act. The Notes and Bonds shall bear interest at such fixed or variable rates, and shall be in such denomination, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in such medium of payment, at such place and be subject to such terms of redemption as the Authority may provide pursuant to the Act. The Notes and Bonds may be sold by the Authority at public or private sale pursuant to the Act.

Documents to be Delivered to Trustee. The Authority may from time to time request the authentication and delivery of a Series of Bonds or Notes by providing to the Trustee (among other things) the following:

(a) an Officer's Certificate to the effect that there is no default that will remain uncured immediately following such delivery, nor an uncured failure of the State or the City to comply with their respective agreements provided for in the Act, as in effect at the date of the Indenture; and

(b) an opinion of Counsel as to the due authorization, execution and delivery by the Authority of the Indenture and each relevant Supplemental Indenture; to the effect that the Series Resolution is in full force and effect and that the Bonds or Notes are valid and binding; and after delivery of the first series of Bonds, to the effect that the issuance of the Bonds or Notes will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or Tax-Exempt Notes theretofore issued (as set forth in the opinions delivered with such prior Bonds or Notes).

Ancillary and Swap Contracts. Pursuant to the Act, the Authority may enter into, amend or terminate, as it determines to be necessary or appropriate, any ancillary or swap contracts, including Senior Agreements to facilitate the issuance, sale, resale, purchase, repurchase or payment of Bonds or Notes. The Authority may by Series Resolution provide for the payment through the Bond Account of amounts due on ancillary and swap contracts.

Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may, by Series Resolution, authorize the issuance of Notes and renewals thereof in anticipation of such Series. The interest on such Notes and renewals thereof may be made payable from the proceeds of such Notes, from the Bond Account, from the Recovery Account, from the School Bond Account or from the proceeds of renewal notes or the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such renewal notes or Bonds may be pledged for the payment of the principal of or interest on such Notes, and any such pledge shall have a priority over any other pledge of such proceeds created by the Indenture. The Authority may also pledge the Revenues and, subject to the Indenture, the Accounts to the payment of the principal of such Notes.

Recovery Obligations and Other Parity Debt. The Authority may from time to time request the authentication and delivery of a Series of Recovery Obligations or other Parity Debt by providing to the Trustee (among other things) the following at the delivery of Bonds or of Notes in anticipation thereof (but not both):

(i) a certificate by the Director of Management and Budget setting forth the collections for the most recent Fiscal Year ended at least two months prior to the date of such certificate, of the Statutory Revenues collected by the State and to be payable to the Authority; and

(ii) an Officer's Certificate of the Authority setting forth (x) the sum of $1.32 billion and the aggregate amount of Subordinate Debt Service, including such Series of Bonds (assumed, at the delivery of Notes, to be issued at the Note maturity and to amortize over 30 years at an interest rate of 7%, with level debt service), for each Fiscal Year such Bonds will be Outstanding and (y) that the amounts set forth pursuant to clause (i) will be at least 3 times the sum set forth in clause (ii)(x) for each Fiscal Year set forth pursuant to clause (ii)(x).

School Bonds and School Notes. The Authority may from time to time request the authentication and delivery of a Series of School Bonds or School Notes by providing to the Trustee (among other things) the following at the delivery of such Bonds or of Notes in anticipation thereof (but not both) an Officer's Certificate setting forth:

(i) Annual School Bond Debt Service, including debt service on such Series of Bonds (assumed, at the delivery of Notes, to be issued at or prior to the Note maturity and to amortize and bear interest as specified in such Officer's Certificate) in each Series Fiscal Year, and

(ii) the Confirmed Building Aid payable in the Fiscal Year preceding each Series Fiscal Year, which shall be at least equal to the amount set forth in clause (i) for each Series Fiscal Year.

Each interest rate on Outstanding and proposed variable-rate Bonds or Notes (if not offset or economically fixed by a Qualified Swap, a liquidity account, or otherwise with School Bond Rating Confirmation), shall be assumed at the maximum rate payable to investors other than parties to an ancillary contract.

Project Capital Costs. Proceeds of the sale of the Bonds and Notes issued for capital purposes shall be promptly deposited in the Project Fund established under the Agreement to the extent set forth by Series Resolution, and applied to finance Project Capital Costs. The Authority shall transfer its earnings on the Project Fund to the Collection Account as Building Aid or Tax Revenues, or otherwise apply such earnings in accordance with the Tax Code pursuant to Officer's Certificate.

Federal Proceeds Subaccount. A Build America Subaccount has been established in the Project Fund, and redesignated the Federal Proceeds Subaccount. Proceeds of BABs, QSCBs and other federally subsidized Bonds shall be deposited in such subaccount and all money therein, including earnings, shall be applied in compliance with the Tax Code, the Indenture and the advice of Counsel. To the extent necessary for such compliance, the Authorized Officers of the Authority may subdivide such subaccount in respect of separate categories or issues of federally subsidized Bonds.

Limited Purpose of Indenture. The Indenture provides for the issuance and payment of the Authority's obligations and the financing and refinancing of Project Capital Costs. Except as set forth in the Agreement, the Authority, the City and the Trustee shall have no liability to each other or to the Beneficiaries for the construction, reconstruction, acquisition, installation, physical condition, ownership or operation of any Project.

Application of Revenues. Provision is made in the Act for the payment to the Authority of the Revenues, and the Authority has requested the State Comptroller to make such payments to the Collection Account to be held by the Trustee. Any Revenues received by the Authority shall be promptly deposited in the Collection Account. Two subaccounts are established in the Collection Account: the Tax Revenue Subaccount and the Building Aid Subaccount. Building Aid transferred to the Bond Account or the Recovery Account may be treated as an interfund advance and transferred to the School Bond Account or restored to the Building Aid Subaccount through an Officer's Certificate directing the transfer of Tax Revenues at the *fourth* level of priority. The transfers and payments of Revenues shall be appropriately adjusted by Officer's Certificate to reflect the date of issue of Notes or Bonds, any accrued or capitalized interest deposited in the Bond Account, actual rates of interest, any amount needed or held in the Accounts for Debt Service, and any purchase or redemption of Notes or Bonds, so that there will be available on each payment date the amount necessary to pay Debt Service and so that accrued or capitalized interest will be applied to the installments of interest to which it is applicable.

Bond Account. A Bond Account is established with the Trustee and money shall be deposited therein as provided in the Indenture. Accrued interest received upon the sale of Notes (if so specified by Series Resolution) or Senior Bonds shall be deposited in the Bond Account. Two subaccounts are established in the Bond Account: the Pre-07 S-1 Senior Subaccount and the Post-07 S-1 Senior Subaccount. The money in the Bond Account shall be held in trust and, except as otherwise provided, shall be applied solely to the payment of Debt Service. If at any time the amount held in either subaccount exceeds the Full Requirement, the Trustee shall transfer such excess to the Collection Account as Tax Revenues. The Trustee shall pay, or transfer money from the applicable subaccount of the Bond Account to a Paying Agent in time for the Paying Agent to pay, Debt Service when due in same-day funds.

Redemption Account. A Redemption Account is established with the Trustee and money shall be deposited therein as provided in the Indenture. The money and investments in such Account shall be held in trust and, except as otherwise specified, shall be applied by the Trustee to the redemption of Bonds and Notes. Upon direction by Officer's Certificate of the Authority, the Trustee shall apply money in the Redemption Account to the purchase of Bonds and Notes for cancellation at prices not exceeding (unless so directed by Officer's Certificate of the Authority) the price at which they are then redeemable (or next redeemable if they are not then redeemable), but not with money required to pay Bonds or Notes for which notice of redemption has been given. Accrued interest on the purchase of Bonds and Notes may be paid from the Bond Account (if so payable under the Indenture) or as directed by Officer's Certificate of the Authority.

When money in the Redemption Account is to be applied to the redemption of Notes or Bonds, the Trustee shall pay, or transfer such money to a Paying Agent in time for the Paying Agent to pay, such Notes or Bonds when due in same-day funds.

If on any date the amount in the Bond Account is less than the amount then required to be applied to pay Debt Service then due, the Trustee shall apply the amount in the Redemption Account (other than any sum irrevocably set aside for particular Notes or Bonds no longer Outstanding) to the extent necessary to meet the deficiency.

Redemption of the Bonds and Notes. The Authority may redeem Bonds and Notes at its option in accordance with their terms and shall redeem Bonds and Notes in accordance with their terms pursuant to any mandatory redemption ("sinking fund") requirements established by Series Resolution. When Bonds or Notes are called for redemption, the accrued interest thereon shall become due on the redemption date. To the extent not otherwise provided, the Authority shall deposit with the Trustee on or prior to the redemption date a sufficient sum to pay the redemption price and accrued interest.

The Authority shall not by purchase or optional redemption cause Quarterly Debt Service to exceed $330 million unless either cash is on hand therefor, held by the Authority or in the Redemption Account, or this limit has been modified by Officer's Certificate of the Authority with Rating Confirmation.

Unless otherwise specified by Series Resolution, there shall, at the option of the Authority, be applied to or credited against any sinking fund requirement the principal amount of any such Bonds that have been defeased, purchased or redeemed and not previously so applied or credited. Defeased Bonds shall, at the option of the Authority, no longer be entitled, but may be subject, to the provisions thereof for mandatory redemption.

When Bonds or Notes are to be redeemed prior to maturity, the Trustee shall give notice in the name of the Authority, which notice shall identify the Bonds or Notes to be redeemed, state the date fixed for redemption and state that such Bonds or Notes will be redeemed at the corporate trust office of the Trustee or a Paying Agent. The notice shall further state that on such date there shall become due and payable upon each Bond or Note to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that money therefor having been deposited with the Trustee or Paying Agent, from and after such date, interest thereon shall cease to accrue. The Trustee shall give 30 days' notice by mail, or otherwise transmit the redemption notice in accordance with the Indenture and any appropriate provisions of the LFL, to the registered owners of any Bonds or Notes which are to be redeemed, at their addresses shown on the registration books of the Authority. Such notice may be waived by any Holder of Bonds or Notes to be redeemed. Failure to transmit notice to a particular Holder, or any defect in the notice to such Holder, shall not affect the redemption of any other Bond or Note.

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

Investments. Pending its use, money in the Accounts may be invested by the Trustee in Eligible Investments maturing or redeemable at the option of the holder at or before the time when such money is expected to be needed and shall be so invested pursuant to written direction of the Authority if there is not then an Event of Default known to the Trustee. Investments shall be held by the Trustee in the respective Accounts and shall be sold or redeemed to the extent necessary to make payments or transfers from each Account.

Cash deposits in the Accounts shall be secured as and to the extent described in the General Municipal Law of the State, as amended from time to time.

Except as otherwise specified, any interest realized on investments in any Account and any profit realized upon the sale or other disposition thereof shall be credited to the Collection Account. Interest realized on investments in the Building Aid Subaccount or the School Bond Account and any profits realized upon the sale or other disposition thereof shall be credited to the Building Aid Subaccount.

The Trustee may hold undivided interests in Eligible Investments for more than one Account (for which they are eligible) and may make interfund transfers in kind.

If any money is invested under the Indenture and a loss results therefrom so that there are insufficient funds to pay Debt Service or to redeem Bonds or Notes called for redemption, then the deficiency shall be timely filled from Revenues (as Debt Service if so payable under the Indenture).

Recovery and Parity Debt Account. A Recovery and Parity Debt Account is established with the Trustee and money shall be deposited therein as provided in the Indenture or by Officer's Certificate. The Pre-07 S-1 Parity Subaccount and the Post-07 S-1 Parity Subaccount are established as subaccounts in the Recovery Account. The money in the Recovery and Parity Debt Account shall be held in trust and, except as otherwise provided, shall be applied solely to the payments of Recovery Obligations and Parity Debt payable therefrom. If at any time the amount held in either subaccount exceeds the Full Requirement, the Trustee shall transfer such excess to the Collection Account as Tax Revenues. The Trustee shall pay, or transfer money from the applicable subaccount of the Recovery and Parity Debt Account to a Paying Agent in time for such Paying Agent to pay, Recovery Obligations and Parity Debt when due in same-day funds.

School Bond Account. A School Bond Account is established with the Trustee and money shall be deposited therein as provided in the Indenture or by Officer's Certificate. The money in the School Bond Account shall be held in trust and, except as otherwise provided, shall be applied solely to the payment of School Obligations. If at any time the Unfunded Balance is zero, the Trustee shall transfer any amount in the School Bond Account to the Collection Account as Building Aid. The Trustee shall pay, or transfer money from the School Bond Account to a Paying Agent in time for such Paying Agent to pay, School Obligations when due in same-day funds.

Application of Tax Revenues. (a) Provision is made in the Act for the payment to the Authority of the Tax Revenues, and the Authority has requested the State Comptroller to make such payments to the Collection Account. Any Tax Revenues received by the Authority or the Trustee shall be promptly deposited in the Tax Revenue Subaccount and shall be applied upon receipt by the Trustee, in the following order of priority: *first* to the Bond Account to pay Debt Service pursuant to the Indenture; *second* to the Authority's operating expenses, which may include deposits to the Redemption Account for optional redemption and reserves to be held by the Authority for payment of operating expenses, in such amounts as may be determined by Officer's Certificate; *third* pursuant to Supplemental Indentures for the benefit of Noteholders, Subordinate Bondholders and parties to ancillary and swap contracts, to the extent such Supplemental Indentures may require application of Tax Revenues to pay items after payment of Debt Service and operating expenses; *fourth* pursuant to each Officer's Certificate making reference to this level of priority in accordance with the Indenture; and fifth daily or as soon as practicable but not later than the last day of each month, to the order of the City, free and clear of the lien of the Indenture.

(b) At the beginning of each Collection Quarter, the Trustee shall begin to transfer all Tax Revenues from the Tax Revenue Subaccount to each subaccount of the Bond Account in proportion to the unfunded balance of each First-Month Requirement, and shall continue such transfers until the amount in each subaccount is equal to the First-Month Requirement. On the first day of the second month of each Collection Quarter, the Trustee shall resume or continue such transfers, in proportion to the unfunded balance of each Full Requirement, until the Full Requirement is held in each subaccount. To the extent that Quarterly Debt Service includes principal, interest or premium on Bonds or Notes to be purchased or redeemed prior to maturity, such Debt Service may be paid through the Redemption Account, and the Authority may by Officer's Certificate direct the Trustee in writing to transfer Revenues thereto, rather than to the Bond Account.

(c) Pursuant to the *third* level of priority: at the beginning of each Collection Quarter, the Trustee shall begin to transfer all Tax Revenues to each subaccount of the Recovery Account in proportion to the unfunded balance of each First-Month Requirement, and shall continue such transfers until the amount in each subaccount is equal to the First-Month Requirement; and on the first Business Day of the second month of each Collection Quarter, the Trustee shall resume or continue such transfers, in proportion to the unfunded balance of each Full Requirement, until the Full Requirement is held in each subaccount. To the extent that Quarterly Subordinate Debt Service includes principal, interest or premium on Bonds or Notes to be purchased or redeemed prior to maturity, or Revenues are available to pay principal of Notes, such amounts may be paid through the Redemption Account or an escrow fund, and the Authority may by Officer's Certificate direct the Trustee to transfer Revenues thereto.

The Authority may by Officer's Certificate estimate interest payable at a variable rate; or treat anticipated receipts from a Qualified Swap as offsets thereto.

A Sinking Fund Subaccount is established in each of the Post-'07 S-1 Senior Subaccount and the Post-'07 S-1 Parity Subaccount for the redemption, at or prior to maturity, of Sinking Fund Bonds. Tax Revenues shall be deposited in each Sinking Fund pursuant to the Sinking Fund Requirements specified by Series Resolution, which deposits may be adjusted to recognize early retirement of Bonds and earnings and profits on Eligible Investments in each Sinking Fund (if required by the Authority's tax covenants or directed by Officer's Certificate to be retained therein) and shall be provided for as Quarterly Senior Debt Service or Quarterly Subordinate Debt Service. Unless otherwise specified by Officer's Certificate, interest on the Sinking Fund Bonds shall be payable from the Post-'07 S-1 Senior Subaccount or the Post-'07 S-1 Parity Subaccount (exclusive of each Sinking Fund).

Application of Building Aid. (a) Provision is made by the Act and the Assignment for the payment to the Authority of the Building Aid, and the Authority has requested the State Comptroller to make such payments to the Collection Account. Any Building Aid received by the Authority or the Trustee shall be promptly deposited in the Building Aid Subaccount and shall be applied by the Trustee pursuant to the Indenture, in the following order of priority, as implemented in part by provisions described below: *first* to Pre-07 S-1 Senior Bonds; *second* to the Authority's operating expenses, which may include reserves to be held by the Authority for payment of operating expenses, in such amounts as may be determined by Officer's Certificate, but excluding operating expenses properly allocable to Post-07 S-1 Senior Debt and Post-07 S-1 Parity Debt; *third* to Pre-07 S-1 Parity Debt and then to School Obligations; and *fourth* daily or as soon as practicable but not later than the last day of each month, to the order of the City, free and clear of the lien of the Indenture.

(b) To provide for the timely payment of School Obligations subject to the rights of the Holders of Pre-07 S-1 Senior Bonds and Pre-07 S-1 Parity Debt, money in the Building Aid Subaccount shall be retained therein until transferred as follows:

(1) at any time, to the Pre-07 S-1 Senior Subaccount or the Pre-07 S-1 Parity Subaccount, in that order of priority, to pay Pre-07 S-1 Senior Bonds or Pre-07 S-1 Parity Debt then due and not otherwise provided for;

(2) in the first month of each Collection Quarter, (A) to the School Bond Account beginning the first day when (i) the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and (ii) the Remaining Building Aid is not more than 110% of the Unfunded Balance, and continuing until the earlier of (x) the end of the month and (y) the day when the Unfunded Balance is zero; and (B) to the order of the City, if no transfer to the School Bond Account is required, beginning the first day when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and continuing until the end of the month; and

(3) in the second and third months of each Collection Quarter, (A) to the School Bond Account beginning the first day when (i) the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their Full Requirements and (ii) the Remaining Building Aid is not more than 110% of the Unfunded Balance, and continuing until the earlier of (x) the end of the Collection Quarter and (y) the day when the Unfunded Balance is zero; (B) to the order of the City, if no transfer to the School Bond Account is required, beginning when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount are funded to their Full Requirements and continuing until the end of the Collection Quarter; and (C) on the last Business Day of the Collection Quarter, to the Pre-07 S-1 Senior Subaccount and then the Pre-07 S-1 Parity Subaccount until both of them have been funded to their Full Requirements; then to the School Bond Account, if the Remaining Building Aid is not more than 110% of the Unfunded Balance, until the Unfunded Balance is zero; and then to the order of the City.

A Sinking Fund Subaccount is established in the School Bond Account for the redemption, at or prior to maturity, of Sinking Fund Bonds. Building Aid shall be deposited in such Sinking Fund pursuant to the Indenture, which deposits may be adjusted to recognize early retirement of Bonds and earnings and profits on Eligible Investments in the Sinking Fund (if required by the Authority's tax covenants or directed by Officer's Certificate to be retained therein) and shall be provided for as Annual School Bond Debt Service. Unless otherwise specified by Officer's Certificate, interest on the Sinking Fund Bonds shall be payable from the School Bond Account (exclusive of the Sinking Fund).

Application of Federal Subsidy. (a) A Federal Subaccount and a BAB Subaccount have been established in the Collection Account, and redesignated the Federal Collection Subaccount and the Federal Bond Subaccount, respectively. The Federal Subsidy shall be deposited in the Federal Collection Subaccount and retained therein until transferred as follows:

(1) at any time, to the Pre-'07 S-1 Senior Subaccount or the Pre-'07 S-1 Parity Subaccount, in that order of priority, to pay Pre-' 07 S-1 Senior Bonds or Pre-'07 S-1 Parity Debt then due and not otherwise provided for;

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

(3) in the second and third months of each Collection Quarter, (A) to the Federal Bond Subaccount, beginning when both the Pre-' 07 S-1 Senior Subaccount and the Pre-' 07 S-1 Parity Subaccount have been funded to their Full Requirements and continuing until the end of the Collection Quarter, and (B) on the last Business Day of the Collection Quarter, to the Pre-'07 S-1 Senior Subaccount and then the Pre-'07 S-1 Parity Subaccount until both of them have been funded to their Full Requirements; and then to the Federal Bond Subaccount or, if so directed by Officer's Certificate, to the order of the City.

Money in the Federal Bond Subaccount shall be applied to principal of and interest on Bonds (not including Tax-Exempt Bonds unless such application is permitted by the Authority's tax covenants) or, if so directed by Officer's Certificate, paid to the order of the City.

Purchase of HYIC Obligations. The Authority may apply Tax Revenues available at the *fourth* level of priority to the purchase of obligations of HYIC (not exceeding the amounts specified by Supplemental Indentures approved by unanimous vote of the Directors of the Authority), which HYIC obligations shall be held by the Authority.

Contract; Obligations to Beneficiaries. In consideration of the purchase and acceptance of any or all of the Bonds and Notes and ancillary and swap contracts by those who shall hold the same from time to time, the provisions of the Indenture shall be a part of the contract of the Authority with the Beneficiaries, and shall be deemed to be and shall constitute contracts among the Authority, the Trustee, the City to the extent specified in the Agreement, the Beneficiaries from time to time and, to the extent specified in the Act, the State. The pledge made in the Indenture and the covenants set forth to be performed by the Authority, the City and the State shall be for the equal benefit, protection and security of the Beneficiaries of the same priority. All of the Outstanding Bonds or Notes or ancillary or swap contracts of the same priority, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any thereof over any other except as expressly provided pursuant to the Indenture and the Act.

The Authority shall pay when due all sums payable on the Bonds and Notes, from the Revenues and money designated in the Indenture, subject only to (i) the Act and the Indenture, and (ii) to the extent permitted by the Act and the Indenture, (x) agreements with Holders of Outstanding Bonds and Notes pledging particular collateral for the payment thereof and (y) the rights of Beneficiaries under ancillary and swap contracts. The obligation of the Authority to pay principal, interest and redemption premium, if any, to the Holders of Bonds and Notes shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to setoff, recoupment or counterclaim. The Authority shall also pay its operating expenses.

Enforcement. The Authority shall enforce or cause the Trustee to enforce by appropriate legal proceedings, each covenant, pledge or agreement made by the City or the State in the Indenture or in or pursuant to the Act for the benefit of any of the Beneficiaries, including the Assignment and the related provisions of the School Financing Act.

The Authority shall

(1) protect and defend, as an operating expense, its and the Trustee's claim to every material portion of the Building Aid, and the Fiduciaries shall cooperate therein at the Authority's expense;

(2) with the Fiduciaries, as aforesaid, and the City pursuant to the Assignment (a) contest any Competing Claim to any material portion of the Building Aid that (i) it deems factually or legally unfounded, or (ii) is based on constitutional, statutory or regulatory ambiguity, on any provision of the Education Law, or on any action or failure to act of the City; and (b) cooperate with the Holders in filing and prosecuting any claim made by Holders under § 99-b of the State Finance Law and in opposing any Competing Claim;

(3) provide the calculations contemplated by the MOU; and

(4) not agree to any modification of the MOU that is materially adverse to the Holders of the School Bonds.

Without limitation, a modification that receives School Bond Rating Confirmation is not materially adverse to such Holders.

Sales Taxes. For each fiscal year of the City for which the Mayor has given a notice to the State Comptroller pursuant to the State Covenant, the Authority shall request the State Comptroller to schedule payments of Sales Taxes to the Authority, based on the Authority's projections of Personal Income Taxes and debt service, so that the Authority will receive Tax Revenues in each Collection Quarter sufficient to pay its obligations but in all events at least equal to the Quarterly Payment Requirement. Such requests shall be modified, as often as necessary, to reflect experience and revised projections.

Tax Covenant. The Authority shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on Tax-Exempt Bonds and Tax-Exempt Notes shall be excludable from gross income for federal income tax purposes pursuant to § 103(a) of the Tax Code; and no funds of the Authority shall at any time be used directly or indirectly to acquire securities or obligations the acquisition or holding of which would cause any Tax-Exempt Bond or Tax-Exempt Note to be an arbitrage bond as defined in such Code and any applicable Regulations issued thereunder. If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, pay from the Project Fund or as an operating expense the amount, if any, required by the Code to be rebated thereto or paid as a related penalty.

Accounts and Reports. (a) The Authority shall (1) cause to be kept books of account in which complete and accurate entries shall be made of its transactions relating to all funds and accounts under the Indenture, which books shall at all reasonable times be subject to the inspection of the City, the Trustee and the Holders of an aggregate of not less than 25% in principal amount of Bonds and Notes then Outstanding or their representatives duly authorized in writing;

(2) annually, within 185 days after the close of each fiscal year, deliver to the Trustee and each Rating Agency, a copy of its audited financial statements for such fiscal year;

(3) keep in effect at all times an accurate and current schedule of all Quarterly Debt Service to be payable during the life of then Outstanding Bonds, Notes and Senior Agreements secured by the Bond Account; of Remaining Building Aid, and of amounts payable from the Recovery Account and the School Bond Account; certifying for the purpose such estimates as may be necessary; and

(4) deliver to each Rating Agency a quarterly statement of cash flows, including Revenues received, transfers to the Accounts, Bonds and Notes issued, and payments of principal and interest, and an annual statement of the State's costs in administering, collecting and distributing the Tax Revenues.

(b) To implement the State Covenant, the Chairperson of the Authority shall, not less than 30 days prior to the beginning of each fiscal year, certify to the State Comptroller, the Governor, and the Directors of the Authority a schedule of maximum annual debt service payments due on the Bonds and Notes respectively then Outstanding.

(c) The Authority shall deliver to the Trustee and each Rating Agency, not less often than quarterly, an Officer's Certificate showing (i) Revenues on a pro-forma basis for the current fiscal year and each of the two preceding fiscal years, as received, expected and adjusted as if current statutes had been in effect for the three-year period; (ii) Debt Service to be paid in the next three fiscal years; and (iii) whether such Revenues are at least 150% of such Debt Service.

Ratings. Unless otherwise specified by Series Resolution, the Authority shall pay such reasonable fees and provide such available information as may be necessary to obtain and keep in effect ratings on all the Senior Bonds and the School Bonds from at least two nationally recognized statistical rating organizations.

No Other Business. The Authority shall not engage in any line of business not contemplated by the Act.

No Indebtedness or Funds of City. The Indenture does not constitute indebtedness of the City for purposes of § 20.00 of the LFL or any constitutional or statutory limitation. The Authority's revenues are not funds of the City.

State Covenants and Tax Contract. The Authority includes in the Indenture: (a) the State's pledge and agreement with the Holders of Outstanding Bonds and Notes that the State will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with the Holders, or in any way impair the rights and remedies of such Holders or the security for the Bonds and Notes until such Bonds and Notes, together with the interest thereon, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully paid and discharged; (b) the further terms of § 2799-ii of the Act to the effect that: Nothing contained in this covenant shall be deemed to restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Taxes, but such taxes payable to the Authority shall in all events continue to be so payable so long as any such taxes are imposed. Not less than 30 days prior to the beginning of each fiscal year, the Chairperson of the Authority shall certify to the State Comptroller, the Governor, and the members of the Board of Directors of the Authority a schedule of maximum annual debt service payments due on the Bonds and Notes then Outstanding. To the extent that Personal Income Taxes payable to the Authority during such fiscal year are projected by the Mayor to be insufficient to meet at least 150% of maximum annual debt service on the Bonds then Outstanding, the Mayor shall so notify the State Comptroller and the State Comptroller shall pay to the Authority from Sales Taxes such amount as is necessary to provide at least 150% of such maximum annual debt service on the Bonds. Nothing in this covenant shall be deemed to obligate the State to make any additional payments or impose any taxes to satisfy the obligations of the Authority; (c) subdivision 4 of § 2799-tt of the Act (added by the School Financing Act) to the effect that: The State Covenant shall be fully applicable to School Bonds and School Notes and may be included in any agreement with the Holders thereof. Nothing contained in this covenant shall be deemed to restrict the right of the State to amend, modify, repeal or otherwise alter statutes relating to the Building Aid, but such Building Aid shall in all events (i) continue to be so payable, as assigned, so long as any such Building Aid is paid and (ii) continue to be calculated in accordance with the same formula used for such calculation, and otherwise on the same basis as such aid is calculated, on the date that the applicable project is approved for reimbursement; (d) the last paragraph of § 99-b of the State Finance Law (as amended by the School Financing Act) to the effect that: The State hereby covenants with the Holders of the School Bonds and School Notes that it will not repeal, revoke or rescind the provisions of this section or amend or modify the same so as to limit, impair or impede the rights and remedies granted hereby; provided, however, that nothing in this section shall be deemed or construed as requiring the State to continue the payment of aid or assistance to any city, city school district or school district or as limiting or prohibiting the State from repealing or amending any law heretofore or hereafter enacted relating to aid or assistance, the manner and time of payment or apportionment thereof, or the amount thereof; and (e) the tax contract of the State in the Act.

Authority Acknowledgments. (a) The Authority acknowledges that the City's covenants and pledge and agreement for the benefit of the Holders and the State Covenant and Tax Contract constitute important security provisions of the Outstanding Bonds and Notes, and to the fullest extent permitted by applicable federal and State law, waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by the City, the State or any other person of, any such claim to the contrary.

(b) By acknowledging that the City's covenants and pledge and agreement for the benefit of the Holders and the State Covenant and Tax Contract constitute important security provisions of the Outstanding Bonds and Notes, the Authority also acknowledges, to the fullest extent permitted by applicable federal and State law, that, in the event of any failure or refusal by the City or the State to comply therewith, the Holders of the Outstanding Bonds or Notes may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable federal and State law, determined, in addition to any other remedy available at law or in equity, in the course of any action taken pursuant to the Indenture; and to the fullest extent permitted by applicable federal and State law, the Authority waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by the City, the State or any other person of, any claim to the effect that no such monetary damages have been suffered.

(c) The Authority confirms that the acknowledgments and agreements summarized forth in paragraphs (a) and (b) above have been included as a result of negotiations with the underwriters of specified Bonds and may further acknowledge in any Series Resolution if and the extent to which any provision of the Resolution has been amended, or any provision of such Series Resolution has been included therein, as a result of the same or similar negotiations.

Rights and Duties of the Fiduciaries. The Fiduciaries shall not be required to monitor the financial condition of the Authority or the physical condition of any Project and, unless otherwise expressly provided, shall not have any responsibility with respect to reports, notices, certificates or other documents filed with them under the Indenture, except to make them available for inspection by Beneficiaries.

Upon a failure of the Authority to make a payment of Debt Service when due or a failure known to the Trustee to make any other required payment within 7 days after the same becomes due and payable, the Trustee shall give written notice thereof to the Authority. The Trustee shall give notices of default when instructed to do so by the written direction of another Fiduciary or the owners of at least 25% in principal amount of the Outstanding Senior Bonds or with respect to specified events, if actually known to an Authorized Officer of the Trustee. The Trustee shall proceed under the Indenture for the benefit of the Holders in accordance with the written directions of a Majority in Interest of the Outstanding Senior Bonds. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred.

Each Fiduciary shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. Each Fiduciary may rely conclusively on any notice, certificate or other document furnished to it under the Indenture and reasonably believed by it to be genuine. A Fiduciary shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under the Indenture or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or consent or other action by a Fiduciary is called for by the Indenture, the Fiduciary may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act.

Any fees, expenses, reimbursements or other charges which any Fiduciary may be entitled to receive from the Authority, if not otherwise paid, shall be a first lien upon (but only upon) any funds held by the Trustee for payment of operating expenses.

Paying Agents. The Authority designates the Trustee a Paying Agent. The Authority may appoint additional Paying Agents, generally or for specific purposes, may discharge a Paying Agent from time to time and may appoint a successor. The Authority shall designate a successor if the Trustee ceases to serve as Paying Agent. Each Paying Agent shall be a bank or trust company eligible under the Act, and unless otherwise provided by Series Resolution shall have a capital and surplus of not less than $50,000,000 and be registered as a transfer agent with the

Securities and Exchange Commission. The Authority shall give notice of the appointment of a successor to the Trustee as Paying Agent in writing to each Beneficiary shown on the books of the Trustee. A Paying Agent may but need not be the same person as the Trustee. Unless otherwise provided by the Authority, the Trustee as Paying Agent shall act as Bond and Note registrar and transfer agent. Each Paying Agent shall act as paying agent with respect to any allotments, apportionments or payments forwarded to it by the State pursuant to § 99-b of the State Finance Law.

Resignation or Removal of the Trustee. The Trustee may resign on not less than 30 days' written notice to the Authority and the Holders. The Trustee will promptly certify to the Authority that it has given written notice to all Holders and such certificate will be conclusive evidence that such notice was given as required by the Indenture. The Trustee may be removed by written notice from the Authority (if not in default) or a Majority in Interest of the Outstanding Senior Bonds to the Trustee and the Authority. Such resignation or removal shall not take effect until a successor has been appointed.

Successor Fiduciaries. Any corporation or association which succeeds to the municipal corporate trust business of a Fiduciary as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights, powers and duties thereof under the Indenture, without any further act or conveyance.

In case a Fiduciary resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of a Fiduciary or of its property is appointed, or if a public officer takes charge or control of a Fiduciary, or of its property or affairs, then such Fiduciary shall with due care terminate its activities and a successor may, or in the case of the Trustee shall, be appointed by the Authority. If no appointment of a successor Trustee is made within 45 days after the giving of written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Holder may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee shall be a trust company or a bank having the powers of a trust company, located in the State, having a capital and surplus of not less than $50,000,000.

No Statutory Trustee. Pursuant to the Act, the rights of the Holders of Bonds and Notes to appoint a statutory trustee are abrogated.

Fiduciaries for Notes and Subordinate Bonds. The Authority may by Series Resolution provide for the appointment of a Fiduciary (which may be the Trustee) to represent the Holders of Notes or Subordinate Bonds, having powers and duties not inconsistent with the Indenture or the Act.

Registered Owners. The enumeration of certain provisions applicable to DTC as Holder of immobilized Notes and Bonds shall not be construed in limitation of the rights of the Authority and each Fiduciary to rely upon the registration books in all circumstances and to treat the registered owners of Notes and Bonds as the owners thereof for all purposes not otherwise specifically provided for. Notwithstanding any other provisions of the Indenture, any payment to the registered owner of a Note or Bond shall satisfy the Authority's obligations thereon to the extent of such payment.

Events of Default; Default. "Event of Default" in the Indenture means any one of the events set forth below and "default" means any Event of Default without regard to any lapse of time or notice. (a) The Authority shall fail to pay when due any interest, principal or redemption premium on a Note or Bond. (b) The Authority shall fail to make any other required payment to the Trustee or other Fiduciary and such failure is not remedied within 7 days after written notice thereof is given by the Trustee or other Fiduciary to the Authority. (c) The Authority shall fail to observe or perform any of its other agreements, covenants or obligations under the Indenture and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the Authority. (d) Specified events of insolvency. (e) The State shall (i) amend, alter, repeal or fail to comply with the State Covenant or its tax contract in the Act as in effect on the date of issuance of the first Series of Bonds or (ii) enact a moratorium or other similar law affecting the Bonds or Notes or (iii) amend, modify, repeal or otherwise alter, in any material respect, (y) the requirement of § 1313 of the Tax Law that: "The comptroller, after reserving such refund fund and such costs shall, commencing on or before the fifteenth day of each month, pay to the New York City transitional finance authority on a daily basis the balance of Personal Income Taxes or (z) the requirement of § 2799-ii of the Act that: "To the extent that the tax revenues payable to the authority under section thirteen hundred thirteen of the tax law during such fiscal year are projected by the mayor to be insufficient to meet at least one hundred fifty percent of maximum annual debt service on authority bonds then outstanding, the mayor shall so notify the state comptroller and the state comptroller shall pay to the authority from" Alternative Revenues such amount as is necessary to provide at least 150% of the maximum annual debt service. (f) The State Comptroller shall fail or refuse to comply with any provision of law in effect for the benefit of the Authority. (g) The City shall fail to observe or perform any of its agreements, covenants or obligations under the Agreement for the benefit of the Holders and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the City and the Authority or by the Authority to the Trustee and the City. (h) Any Officer's Certificate delivered pursuant to paragraph (c) described in "Accounts and Reports" above shall show estimated Revenues to be less than 150% of Debt Service.

Remedies of the Trustee. If an Event of Default occurs and is continuing: (1) The Trustee may, and upon written request of the Holders of 25% in principal amount of the Senior Bonds Outstanding shall, in its own name by action or proceeding in accordance with the Civil Practice Law and Rules: (a) enforce all rights of the Holders and require the Authority or, to the extent permitted by law, the State or the City to carry out its agreements with the Holders and to perform its duties under the Act; (b) sue upon such Bonds and Notes; (c) require the Authority to account as if it were the trustee of an express trust for the Holders of such Bonds and Notes; and (d) enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds and Notes. (2) The Trustee shall, in addition, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Act or incident to the general representation of Holders in the enforcement and protection of their rights. (3) If such Event of Default is described in clause (a), (d), (e)(iii) or (h) under "Events of Default" above, the Trustee shall (a) give written notice thereof to the Authority, the Holders, specified public officials and public bodies, and (b) if so directed by a Majority in Interest of the Senior Bonds, and having given 30 days' notice to the Authority, declare the principal amount of all Bonds and Notes to be, and the same shall become, due and payable.

Note and Subordinate Bond Remedies. Subject to the prior application of the Accounts to pay Debt Service and to the Indenture, the Holders of Notes or Subordinate Bonds, other Beneficiaries or a Fiduciary appointed for them, may enforce the provisions of the Indenture for their benefit by appropriate legal proceedings.

School Bond Remedies. To the extent not inconsistent with the Act or the Indenture as in effect prior to the issuance of the first Series of School Bonds: if (i) there occurs and is continuing any Event of Default, or (ii) the State shall amend, alter, repeal or fail to comply with its covenant respecting the Building Aid, or (iii) the City shall fail to observe or perform any of its agreements, covenants or obligations under the Assignment for the benefit of the Holders and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the City and the Authority or by the Authority to the Trustee and the City, then:

(a) The Trustee may, and upon written request of the Holders of 25% in principal amount of the School Bonds Outstanding shall, in its own name by action or proceeding in accordance with the Civil Practice Law and Rules;

(1) enforce all rights of the Holders and require the Authority or, to the extent permitted by law, the State or the City to carry out its agreements with the Holders and to perform its duties under the Act;

(2) sue upon such Bonds and Notes;

(3) require the Authority to account as if it were the trustee of an express trust for the Holders of such Bonds and Notes; and

(4) enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds and Notes.

(b) The Trustee shall have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Act or incident to the general representation of Holders of School Bonds and School Notes in the enforcement and protection of their rights.

Individual Remedies. No one or more Holders shall by his or their action affect, disturb or prejudice the pledge created by the Indenture, or enforce any right under the Indenture, except in the manner therein provided; and all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided therein and for the equal benefit of all Beneficiaries of the same class; but nothing in the Indenture shall affect or impair the right of any Holder of any Bond or Note to enforce payment of the principal thereof, premium, if any, or interest thereon at and after the maturity thereof, or the obligation of the Authority to pay such principal, premium, if any, and interest on each of the Bonds and Notes to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Bonds and Notes.

Venue. The venue of every action, suit or special proceeding against the Authority shall be laid in the County of New York.

Waiver. If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences, by written notice to the Authority, and shall do so upon written instruction of the Holders of at least 25% in principal amount of the Outstanding Senior Bonds.

Application of Money. If available money in the Accounts is not sufficient on any day to pay all Debt Service, Subordinate Bonds and Subordinate Agreements then due or overdue, such money (subject to the payment of fees and expenses necessary to collect Revenues and distribute Debt Service and to provisions theretofore made for the payment of Bonds or Notes no longer Outstanding and to the priorities established by the Indenture) shall be applied *first* to the Trustee's fees and other costs of collecting and applying the Revenues and administering the accounts, *second* to the payment of interest, including interest on overdue principal, in the order in which the same became due (pro rata with respect to interest which became due at the same time), and if the amount available shall not be sufficient to pay in full any installment or installments of interest or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other; and *third* to the payment of principal (including sinking fund installments) and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due), and if the amount available shall not be sufficient to pay in full all principal, premium or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other and, if the amount available shall not be sufficient to pay in full all principal due on any date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service, without priority or preference of any Bond over any other; and *fourth* to the payment of any Notes (to the extent not paid as Debt Service), Subordinate Bonds and Subordinate Agreements then due and, if the amounts available are insufficient to pay in full all such subordinated payment obligations, then to the payment thereof ratably, in accordance with the priorities established by the Indenture but otherwise without preference or priority of any such item over any other. For this purpose Debt Service on Senior Agreements shall be characterized in accordance with their financial terms and interest on overdue principal shall be treated as coming due on the first day of each month. Whenever money is to be applied pursuant to this section of the Indenture, such money shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future.

Supplements and Amendments. (a) The Indenture may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Officer of the Authority and executed or approved by the Mayor and Comptroller to the extent, if any, required by the Act, to (A) provide for earlier or greater deposits into the Bond Account, (B) subject any property to the lien of the Indenture, (C) add to the covenants and agreements of the Authority or surrender or limit any right or power of the Authority, (D) identify particular Notes or Bonds for purposes not inconsistent with the Indenture including credit or liquidity support, remarketing, serialization and defeasance, or (E) authorize Bonds or Notes of a Series and in connection therewith determine the matters referred to in the Indenture and any other things relative to such Bonds or Notes that are not prejudicial to the Holders, or to modify or rescind any such authorization or determination at any time prior to the first authentication and delivery of such Series of Bonds or Notes; or

(2) amended by the Authority and the Trustee with the approval of the Mayor and Comptroller to the extent, if any, required by the Act, (A) to cure any ambiguity or defect, (B) to add provisions that are not prejudicial to the Holders, (C) to adopt amendments that do not take effect unless and until (i) no Bonds or Notes Outstanding prior to the adoption of such amendment remain Outstanding or (ii) such amendment is consented to by the Holders of such Bonds or Notes in accordance with the Indenture, or (D) pursuant to paragraph (B) summarized below.

(b) Except as described in the foregoing paragraph (a), the Indenture may be amended (1) only with the written consent of a Majority in Interest of the Recovery Bonds and Bonds issued as Parity Debt, the School Bonds, the Senior Bonds and the Notes of each category (each acting as a separate class) to be Outstanding at the effective date thereof and affected thereby; but (2) only with the unanimous written consent of the affected Holders for any of the following purposes: (A) to extend the maturity of any Bond or Note, (B) to reduce the principal amount or interest rate of any Bond or Note, (C) to make any Bond or Note redeemable other than in accordance with its terms, (D) to create a preference or priority of any Bond or Note over any other Bond or Note of the same class or (E) to reduce the percentage of the Bonds and Notes required to be represented by the Holders giving their consent to any amendment. If their interests differ materially, the Holders of the Pre-07 S-1 Senior Bonds and Pre-07 S-1 Parity Debt shall vote as separate classes from the Holders of Post-07 S-1 Senior Debt and Post-07 S-1 Parity Debt.

(c) Any amendment of the Indenture shall be accompanied by a Counsel's Opinion to the effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax- Exempt Bonds and Tax-Exempt Notes from gross income for federal income tax purposes.

In addition, provisions of the Indenture relating to the application of the Federal Subsidy may be amended in any respect that is not prejudicial to the Bondholders.

Beneficiaries. The Indenture is not intended for the benefit of and shall not be construed to create rights in parties other than the City, the Authority, the Fiduciaries, the Holders of Notes and Senior Bonds, and the other Beneficiaries to the extent specified therein.

Covenant. The City and the Authority covenant with the Holders of the Outstanding Bonds offered hereby to comply with the financial reporting requirements of the Financial Emergency Act For The City of New York and the Act, respectively, each as in effect from time to time.

Series 2011 S-1 Bonds. The Indenture makes provision for the deposit and expenditure of the proceeds of the Series 2011 S-1 Bonds and for the application of the related Federal Subsidies (which subsidies are not pledged to any of the Series 2011 S-1 Bonds).

THE AGREEMENT

The Agreement, including the Transitional Capital Plan attached thereto:

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

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

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

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

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

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

City's Further Assurances. Pursuant to the Act, the City acknowledges the State's grant to the Authority and the Authority's pledge and assignment to the Trustee of, and disclaims ownership of, all subject to the terms of the Act: the City's right, title and interest in and to the Personal Income Taxes and the Sales Taxes, and all rights to receive the same and the proceeds thereof; and the City will protect and defend the Trustee's title thereto.

Separate Accounts and Records. The Authority and the City represent and covenant, each for itself, that: (a) Each of them will maintain its books, financial records and accounts (including, without limitation, interentity transaction accounts) in a manner so as to identify separately the assets and liabilities of each such entity; each has observed and will observe all applicable corporate procedures and formalities, including, where applicable, the holding of regular periodic and special meetings of governing bodies, the recording and maintenance of minutes of such meetings, and the recording and maintenance of resolutions, if any, adopted at such meetings; and all transactions and agreements between and among the Authority, the City and the Trustee have reflected and will reflect the separate legal existence of each entity and have been and will be formally documented in writing. (b) Neither the Authority nor the City has commingled or will commingle any of its assets, funds or liabilities with the assets, funds or liabilities of any other person or entity. Each of them has conducted and will conduct all business between itself and third parties in its own name and separate and distinct from the other.

Project Fund. A Project Fund is established to be held by the Authority. Money shall be deposited therein as provided in the Indenture. The money and investments in the Project Fund shall be held in trust and, except as otherwise provided in the Agreement, shall be applied by the Authority as described below.

The Authority shall pay from the Project Fund the Costs of Issuance, including any expenses of the City in connection with the issuance of the Bonds and Notes that are approved by the Authority, and disburse funds to the City to finance, by payment or reimbursement, Project Capital Costs. When all Costs of Issuance and Project Capital Costs have been paid or reimbursed, as evidenced by Officer's Certificates of the Authority and the City, any excess in the Project Fund shall promptly be paid to the Trustee for deposit in the Collection Account.

The Authority and the City shall develop, and may from time to time modify, procedures for the disbursement, at least monthly, of money to the City from the Project Fund, upon terms, conditions and documentation providing for compliance with the Act, appropriate provisions of the LFL, the Transitional Capital Plan, the Agreement, the Indenture, and the advice of Counsel as to the application of proceeds of Tax-Exempt Notes and Tax-Exempt Bonds. The City shall pay Costs out of Note and Bond proceeds under such contracts as shall be awarded by the City or make a capital contribution of such proceeds as City funds to another entity for the payment or reimbursement of such Costs.

Money in the Project Fund shall be invested and reinvested in accordance with the Act. Earnings thereon shall be transferred to the Collection Account as Building Aid or Tax Revenues, or otherwise applied in accordance with the Tax Code pursuant to an Officer's Certificate.

Indemnity. The City shall indemnify the Authority and hold it harmless against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and disbursements) that the Authority incurs arising out of or in relation to any Project.

Limited Purpose of Agreement. The Agreement provides for the issuance and payment of the Authority's obligations and the financing and refinancing of Project Capital Costs. Except as specified in the Agreement, the Authority, the City, and the Trustee shall have no liability to each other or to the Beneficiaries for the construction, reconstruction, acquisition, installation, physical condition, ownership or operation of any Project. The specific Project Capital Costs to be paid or reimbursed by the Authority shall be determined by the City in accordance with the Act.

Covenants of the City. The City covenants with the Authority, and consents to the pledge and assignment to the Trustee of its covenants, that:

(A) The City will at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on Tax-Exempt Bonds and Tax-Exempt Notes shall be excludable from gross income for federal income tax purposes pursuant to § 103(a) of the Code; and no funds of the City shall at any time be used directly or indirectly to acquire securities or obligations the acquisition or holding of which would cause any Tax-Exempt Bond or Tax-Exempt Note to be an arbitrage bond as defined in the Code and any applicable Regulations issued thereunder.

(B) The City in its papers and in the statements of its officials has referred and will refer to the Authority as a separate and distinct legal entity; and the City will take no action that is inconsistent with the Agreement and that would give any creditor of the City cause to believe either that any such obligations incurred by the City would be not only the obligation of the City, but also of the Authority, or that the City were not or would not continue to remain an entity separate and distinct from the Authority.

(C) To implement the State Covenant, an Authorized Officer of the City shall, not less than 30 days prior to the beginning of each fiscal year, and as often as he deems necessary but at least quarterly thereafter, certify to the Authority and the Trustee the Mayor's projection of Personal Income Taxes payable to the Authority each month during such fiscal year; and if the projected Personal Income Taxes are insufficient to meet at least 150% of maximum annual debt service on the Bonds, as certified by the Chairperson of the Authority pursuant to the Indenture, then (1) the Mayor shall so notify the State Comptroller, and (2) an Authorized Officer of the City shall, not less than 30 days prior to the beginning of each fiscal year in which such projected Personal Income Taxes are insufficient to meet at least 150% of such maximum annual debt service, and as often as he deems necessary but at least quarterly thereafter, certify to the Authority and the Trustee (in addition to other required matters) the City's projection of Sales Taxes available to be paid to the Authority each month during such fiscal year.

Statutory Pledge and Agreement ("City Covenant"). The City pledges and agrees with the Holders of the Outstanding Bonds and Notes that the City will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such Holders pursuant to the Act, or in any way impair the rights and remedies of such Holders or the security for such Bonds and Notes until such Bonds and Notes, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully paid and discharged. This pledge and agreement shall not be deemed to restrict any right the City may have to amend, modify or otherwise alter local laws imposing or relating to the Personal Income Taxes so long as, after giving effect to such amendment, modification or other alteration, the amount of Tax Revenues projected by the Mayor to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration shall be not less than 150% of maximum annual debt service on the Bonds.

Statutory Requirement. To the extent required by the Act, the City agrees that it shall require every contract entered into by the City, or another entity receiving funds from the City, for projects or costs to be financed in whole or in part by the Authority to be subject to the provisions of the City Charter and other applicable laws governing contracts of the City or such entity, as the case may be.

Transfers to City. Subject to the provisions of the Act and the Agreement, all money received by the Authority which, together with other money available for the purposes of the Indenture, exceeds the amount required for such purposes shall be transferred to the order of the City daily or as soon as practicable but not later than the last day of each month.

City Acknowledgments. (a) The City acknowledges that its covenants and pledge and agreement for the benefit of the Holders constitute important security provisions of the Bonds and Notes, and to the fullest extent permitted by applicable federal and State law, waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support any assertion of any claim to the contrary.

(b) By acknowledging that its covenants and pledge and agreement for the benefit of the Holders constitute important security provisions of the Bonds and Notes, the City also acknowledges, to the fullest extent permitted by applicable federal and State law, that, in the event of any failure or refusal by the City to comply therewith, the Holders of the Bonds or Notes may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable federal and State law, determined, in addition to any other remedy available at law or in equity, in the course of any action taken pursuant to the Agreement; and to the fullest extent permitted by applicable federal and State law, the City waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support any assertion of any claim to the effect that no such monetary damages have been suffered.

(c) The City further acknowledges that the acknowledgments and agreements described in paragraphs (a) and (b) above have been included as a result of negotiations with the underwriters of the first series of Bonds and the first Series of School Bonds and may further acknowledge if and the extent to which any provision of the Agreement has been amended, or any provision of a Series Resolution has been included therein, as a result of the same or similar negotiations.

Amendment. (A) The Agreement may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Officer of the Authority and executed or approved by the City to the extent required by the Agreement and the Act, to (a) update the Transitional Capital Plan or (b) add to the covenants and agreements of the City or the Authority for the benefit of the Holders or surrender or limit for the benefit of the Holders any right or power of the City or the Authority; or

(2) amended by the parties with notice to the Trustee but without Bondholder or Noteholder consent to (a) cure any ambiguity or defect or (b) add provisions that are not prejudicial to the Holders of the Bonds and Notes, including provisions that do not take effect unless and until (i) no Bonds or Notes Outstanding prior to the adoption of such amendment remain Outstanding or (ii) such amendment is consented to by Holders in accordance with the further provisions of the Agreement.

(B) Except as described in the foregoing paragraph (A), the Agreement may be amended only by the City and the Authority with the written consent of a Majority in Interest of the Senior Bonds, the Recovery Bonds and Bonds issued as Parity Debt, the School Bonds and the Notes of each category (each acting as a separate class) to be Outstanding at the effective date thereof and affected thereby; but only with the unanimous written consent of the affected Holders to reduce the percentage of the Bonds and Notes required to be represented by the Holders giving their consent to any amendment. If their interests differ materially, the Holders of the Pre-07 S-1 Senior Bonds and Pre-07 S-1 Parity Debt shall vote as separate classes from the Holders of Post-07 S-1 Senior Debt and Post-07 S-1 Parity Debt.

(C) Any amendment of the Agreement shall be accompanied by a Counsel's Opinion to the effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds and Tax-Exempt Notes from gross income for federal income tax purposes.

Beneficiaries. The Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the City, the Authority, the Fiduciaries, the Holders of Notes and Senior Bonds, and the other Beneficiaries to the extent specified in the Agreement and the Indenture.

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Appendix B

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

**NEW YORK CITY TRANSITIONAL
FINANCE AUTHORITY**

June 30, 2010 and 2009

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2010 AND 2009

CONTENTS

Marks Paneth & Shron LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities of the New York City Transitional Finance Authority (the "Authority"), a component unit of The City of New York, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities of the Authority as of June 30, 2010 and 2009 and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis on pages 2 – 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Marks Paneth & Shron LLP

New York, New York
September 29, 2010

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ASSOCIATED WORLD WIDE
WITH JHI

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the New York City Transitional Finance Authority (the "Authority") for the fiscal years ended June 30, 2010 and 2009. It should be read in conjunction with the Authority's government-wide financial statements, governmental fund financial statements and the notes to the financial statements.

The annual financial statements consist of three parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; and (3) the governmental fund financial statements.

The government-wide financial statements of the Authority, which include the statements of net assets (deficits) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

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

The Authority's authorizing legislation limited the amount of Authority bonds and notes issued for The City of New York's (the "City's") general capital purposes ("Future Tax Secured Bonds" or "FTS Bonds") to $13.5 billion, (excluding Recovery Bonds, discussed below) as of June 30, 2009. On July 11, 2009 authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permits the Authority to have outstanding $13.5 billion of FTS Bonds, (excluding Recovery Bonds). In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of July 1, 2010, the City's and the Authority's combined debt-incurring capacity was approximately $26.3 billion. In fiscal year 2010, the Authority issued $5.35 billion of FTS Bonds. The Authority had FTS Senior Bonds outstanding of $6.59 billion and $8.44 billion and Subordinate bonds (excluding Recovery Bonds) of $7.82 billion and $2.70 billion as of June 30, 2010 and 2009, respectively.

In April 2010, Moody's Investors Service upgraded its rating on the Authority's FTS Senior Bonds from Aa1 to Aaa and upgraded its rating on the Authority's FTS Subordinate Bonds from Aa2 to Aa1. Fitch Ratings upgraded its bond rating on FTS Bonds from AA+ to AAA. Standard & Poor's Ratings Services maintained its AAA rating on the Authority's FTS Bonds.

The Authority is also authorized to have outstanding $2.5 billion of bonds and notes to pay costs related to or arising from the World Trade Center attack on September 11, 2001 ("Recovery Bonds"). The Authority had Recovery Bonds outstanding as of June 30, 2010 and 2009 of $1.47 billion and $1.52 billion, respectively.

Of the $5.35 billion FTS Bonds issued in fiscal year 2010, $1.73 billion were Build America Bonds ("BABs") and $250.0 million were Qualified School Construction Bonds ("QSCBs"). The BABs and the QSCBs were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Act"). The BABs and QSCBs are taxable bonds for which the Authority receives a cash subsidy payment from the United States Treasury. In fiscal year 2010, the Authority earned subsidy payments of $13.88 million on its BABs and $1.0

million on its QSCBs. The proceeds of the BABs are used to finance general City capital expenditures and the QSCBs proceeds are used to finance the City's educational facilities.

In fiscal year 2010 and 2009, the changes in FTS Bonds payable were as follows:

	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009	Bonds Issued	Retired or Defeased	Balance June 30, 2010
			- - - - - - - - - - - - - - - (in thousands)	- - - - - - - - - - - - - - -			
Senior FTS bonds	$ 8,557,965	$ 219,300	$ (334,840)	$ 8,442,425	$ -	$ (1,852,560)	$ 6,589,865
Subordinate Bonds:							
Recovery Bonds	1,521,900	-	-	1,521,900	81,000	(136,700)	1,466,200
Parity Bonds	2,747,965	-	(50,110)	2,697,855	3,283,755	(146,420)	5,835,190
Build America Bonds	-	-	-	-	1,731,240	-	1,731,240
Qualified School Construction Bonds	-	-	-	-	250,000	-	250,000
Total Subordinate FTS Bonds	4,269,865	-	(50,110)	4,219,755	5,345,995	(283,120)	9,282,630
Total FTS Bonds payable	$ 12,827,830	$ 219,300	$ (384,950)	$ 12,662,180	$ 5,345,995	$ (2,135,680)	$ 15,872,495

The Authority is also authorized to have outstanding up to $9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs"), secured by building aid from New York State ("State") that is received by the Authority pursuant to the assignment to the Authority by the City in fiscal year 2007 (the "Assignment"). The City assigned its building aid, which is subject to annual appropriation by the State, to the Authority for the purpose of funding costs of the five-year educational facilities capital plan for the City school system and to pay its administrative expenses. The Authority had BARBs outstanding as of June 30, 2010 and 2009 of $4.22 billion and $4.25 billion, respectively.

In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity—Transfers of Assets and Future Revenues* ("GASB 48"), the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority, as discussed below. The implementation of GASB 48 changed the accounting and financial reporting for the Authority's disbursements of BARBs proceeds to the City and receipt of building aid from the State to the Authority pursuant to the Assignment. The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses. Under the criteria established by GASB 48 the assignment of building aid revenue by the City to the Authority is considered a collateralized borrowing, due to the City's continuing involvement necessary for collection of the building aid. The Authority reports as an asset (Due from New York City—future State building aid) the cumulative amount it has distributed to the City for the educational facilities capital plan, net of the cumulative amount of building aid it has retained. On the fund financial statements the distributions to the City for its educational facilities capital program are reported as an other financing use of funds. Building aid retained by the Authority is treated as an other financing source as the amount retained is accounted for as a repayment of the amounts loaned to the City.

The Authority did not issue BARBs in fiscal year 2010 and issued $2.27 billion in fiscal year 2009. There was approximately $279 thousand of fiscal year 2009 BARBs proceeds and interest earnings remaining in fiscal year 2010 which was distributed to the City in fiscal year 2010. In fiscal year 2009, the Authority distributed $2.31 billion of the BARB proceeds to the City.

In fiscal year 2010 and 2009, the changes in BARBs payable were as follows:

	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009	Bonds Issued	Retired or Defeased	Balance June 30, 2010
			- - - - - - - - - - - - - - - (in thousands) - - - - - - - - - - - - - - -				
Building Aid Revenue							
Total Bonds Payable	$ 2,000,000	$ 2,270,000	$ (18,820)	$ 4,251,180	$ -	$ (30,025)	$ 4,221,155

In April 2010, Moody's Investor Service, Inc. upgraded its rating on the Authority's BARBs from A1 to Aa3 and Fitch Ratings upgraded the Authority's BARBs from A+ to AA-. Standard & Poor's Ratings Services maintained its AA- rating on the Authority's BARBs.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	2010	2009	2008	Variance 2010/2009	Variance 2009/2008
	----------(in thousands)---------			----------(in thousands)---------	
Expenses:					
Distributions to New York City for general capital program	$ 3,146,860	$ 11,448	$ 412,488	$ 3,135,412	$ (401,040)
Interest expense	721,707	651,003	592,285	70,704	58,718
Other	35,158	33,352	39,727	1,806	(6,375)
Total expenses	3,903,725	695,803	1,044,500	3,207,922	(348,697)
Revenues:					
Personal income tax retained	190,646	138,274	163,756	52,372	(25,482)
Unrestricted grant from New York City	370,524	645,747	545,747	(275,223)	100,000
Federal subsidy	14,885	-	-	14,885	-
Investment earnings	3,307	11,257	43,718	(7,950)	(32,461)
Total revenues	579,362	795,278	753,221	(215,916)	42,057
Change in net assets	(3,324,363)	99,475	(291,279)	(3,423,838)	390,754
Net deficit, beginning of year	(12,275,166)	(12,374,641)	(12,083,362)	99,475	(291,279)
Net deficit, end of year	$ (15,599,529)	$(12,275,166)	$(12,374,641)	$ (3,324,363)	$ 99,475

Total expenses increased due to the Authority issuing \$3.56 billion in new money FTS Bonds in fiscal year 2010 of which \$3.15 billion was distributed to the City for its capital programs. Due to the timing of the bond issuances and the City's incurrence of capital expenditures, the remaining FTS Bond proceeds will be distributed to the City in fiscal year 2011.

In fiscal year 2007, as the Authority had reached its statutory debt limitation, no additional new money FTS Bonds were issued in fiscal years 2009 and 2008. The distributions to the City in fiscal years 2009 and 2008 were the remaining bond proceeds from the fiscal year 2007 bond issuances and the related interest earnings on these proceeds.

Other expenses consist primarily of amortization of costs of issuance related to the Authority's issuance of debt and the Authority's administrative expenses.

In fiscal year 2010, Personal Income Tax ("PIT") increased $1.02 billion or 16.58% over fiscal year 2009 due to the City's improving economy. In fiscal year 2009, PIT decreased by $2.54 billion or 29.25% from fiscal year 2008. The decrease in PIT in fiscal year 2009 can be attributed to the recession. The Authority received $7.18 billion, $6.16 billion and $8.70 billion of PIT in fiscal years 2010, 2009 and 2008, respectively.

The Authority received City grants of $370.52 million, $645.75 million and $545.75 million in June 2010, 2009 and 2008, respectively. The receipt of City grants reduces the amount of PIT needed to be retained by the Authority in future fiscal years for its debt service payments on FTS Bonds and its administrative expenses.

As previously discussed, the Authority issued BABs and QSCBs for the first time in fiscal year 2010. As a result of the issuance of these taxable bonds, the Authority earned $14.88 million in Federal interest subsidies.

The continuing decrease in investment earnings is due to the lower interest rate environment and the timing of the distributions to the City for its capital programs, which reduces the amount available for the Authority to invest.

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

	2010	2009	2008	Variance 2010/2009	Variance 2009/2008
			----------(in thousands)---------		
Assets:					
Total assets	$ 5,374,891	$ 5,306,497	$ 3,473,776	$ 68,394	$ 1,832,721
Liabilities:					
Current liabilities	1,015,544	587,865	924,807	427,679	(336,942)
Non-current liabilities	19,958,876	16,993,798	14,923,610	2,965,078	2,070,188
Total liabilities	20,974,420	17,581,663	15,848,417	3,392,757	1,733,246
Net assets (deficits):					
Restricted	437,286	619	11,440	436,667	(10,821)
Unrestricted	(16,036,815)	(12,275,785)	(12,386,081)	(3,761,030)	110,296
Total deficit, end of year	$(15,599,529)	$(12,275,166)	$(12,374,641)	$ 3,324,363	$ 99,475

Total assets increased in fiscal year 2010 primarily due to the PIT receivable from the State of $313.75 million. In fiscal year 2009, a receivable of $12.24 million was due from the City for projected PIT refunds due to taxpayers at fiscal year 2009 year end.

The amount Due from New York City—future State building aid decreased in fiscal year 2010 as the Authority did not issue any BARBs in fiscal year 2010 and therefore no bond proceeds were transferred to the City, except for $279 thousand remaining from the fiscal year 2009 bond proceeds and related interest earnings, while the Authority retained $380.27 million in fiscal year 2010 for its debt service and administrative expenses. The effect of this activity is reflected as a net decrease in amount Due from New York City—future State building aid in fiscal year 2010 over fiscal year 2009.

Liabilities increased primarily due to the issuance of $5.35 billion of FTS Bonds, $3.57 billion of new money bonds and $1.78 billion in refunding bonds, in fiscal year 2010 compared to issuing no new money FTS Bonds in fiscal years 2009 and 2008, as discussed previously.

In fiscal years 2009 and 2008, the Authority distributed $2.31 billion and $1.24 billion, respectively, to the City for its capital educational facilities program and retained $226.71 million and $213.05 million, respectively, for its debt service and administrative expenses. The effect of this activity is reflected as a net increase in amount Due from New York City—future State building aid in fiscal year 2009 over fiscal year 2008.

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

	2010	2009	2008
	----------(in thousands)---------		
Building aid received from New York State	$ 829,949	$ 757,199	$ 696,566
Building aid remitted to the City	(449,675)	(530,490)	(483,519)
Total retained for BARBs debt service and operating expenses	$ 380,274	$ 226,709	$ 213,047

The changes in the amount due to the City for reimbursement of its capital expenses is a result of timing differences between the City's incurrence of the capital expenditures and requesting reimbursement from the Authority.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS - GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

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

	2010	2009	2008	Variance 2010/2009	Variance 2009/2008
	----------(in thousands)---------			----------(in thousands)---------	
Fund balance, beginning of year	$ 56	$ 69,665	$ 631,444	$ (69,609)	$ (561,779)
Revenues	280	881	11,686	(600)	(10,805)
Expenditures	(279)	(16,669)	(4,618)	16,389	(12,051)
Other financing sources (uses), net	(57)	(53,821)	(568,847)	53,764	515,026
Fund balance, end of year	$ -	$ 56	$ 69,665	$ (56)	$ (69,609)

The Authority's bond proceeds and distributions to the City are reported as other financing sources (uses) in the governmental funds. As previously discussed, the Authority did not issue any BARBs in fiscal year 2010. The remaining fiscal year 2009 BARBs proceeds and related interest earnings were distributed to the City in fiscal year 2010. In fiscal years 2009 and 2008, the Authority issued $2.27 billion and $700 million, respectively, of BARBs and distributed $2.31 billion and $1.24 billion, respectively, in BARB proceeds to the City to finance its educational facilities capital program.

Expenditures consist of costs of issuances related to the BARBs issued in fiscal years 2009 and 2008.

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

	2010	2009	2008	Variance 2010/2009	Variance 2009/2008
	(in thousands)			(in thousands)	
Fund balance, beginning of year	$ -	$ 30,411	$ 443,777	$ (30,411)	$ (413,366)
Revenues	613	252	7,381	361	(7,129)
Expenditures	(3,166,235)	(11,448)	(412,488)	(3,154,787)	401,040
Other financing sources (uses), net	3,602,425	(19,215)	(8,259)	3,621,640	(10,956)
Fund balance, end of year	$ 436,803	$ -	$ 30,411	$ 436,803	$ (30,411)

Expenditures increased in fiscal year 2010 due to the Authority's distribution of $3.15 billion to the City for its capital programs. These distributions were financed from the Authority's issuance of $3.56 billion of new money FTS Bonds which are recorded as an other financing source. The remaining balance of bonds proceeds are available to be transferred to the City in fiscal year 2011.

No new money FTS Bonds were issued in fiscal years 2009 and 2008, as the Authority had reached it statutory debt limit in fiscal year 2007. The remaining balance from fiscal year 2007 bond issuances and interest earnings on this balance were transferred to the City in fiscal years 2009 and 2008.

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

	2010	2009	2008	Variance 2010/2009	Variance 2009/2008
	(in thousands)			(in thousands)	
Fund balance, beginning of year	$ 368,980	$ 245,542	$ 62,743	$ 123,438	$ 182,799
Revenues	1,205	3,371	1,558	(2,166)	1,813
Expenditures	(225,130)	(107,660)	(62,318)	(117,470)	(45,342)
Other financing sources	380,331	227,727	243,559	152,604	(15,832)
Fund balance, end of year	$ 525,386	$ 368,980	$ 245,542	$ 156,406	$ 123,438

Expenditures in the BARBs DSF are primarily the debt service payments on outstanding BARBs. The other financing sources consist primarily of $380.27 million, $226.71 million and $213.05 million of State building aid retained by the Authority in fiscal years 2010, 2009 and 2008, respectively.

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

	2010	2009	2008	Variance 2010/2009	Variance 2009/2008
	(in thousands)			(in thousands)	
Fund balance, beginning of year	$ 850,975	$ 749,404	$1,094,289	$ 101,571	$ (344,885)
Revenues	566,411	790,774	732,596	(224,363)	58,178
Expenditures	(870,892)	(710,230)	(1,085,711)	(160,662)	375,481
Other financing sources (uses), net	20,324	21,027	8,230	(703)	12,797
Fund balance, end of year	$ 566,818	$ 850,975	$ 749,404	$ (284,157)	$ 101,571

The FTS Bonds DSF revenue consists primarily of grants from the City and PIT retained by the Authority. The Authority received unrestricted grants from the City of $370.52 million, $645.75 million and $545.75 million in fiscal years 2010, 2009 and 2008, respectively. These grants and the PIT retained are used to service the Authority's FTS Bonds debt service and its administrative expenses.

Other financing sources (uses) consist primarily of the proceeds from FTS Bonds issued for the refunding of prior years' FTS Bonds and the payment to the escrow agent for the refunded bonds.

Expenditures increased in fiscal year 2010 over fiscal year 2009 due to the increase in debt service payments on the FTS Bonds. Expenditures decreased in fiscal year 2009 over fiscal year 2008 due to the retirement of approximately $200 million of economic defeased bonds.

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This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to Raymond Orlando, Manager of Investor Relations, the New York City Transitional Finance Authority, 75 Park Place, New York, NY 10007.

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NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
STATEMENTS OF NET ASSETS (DEFICIT)
AS OF JUNE 30, 2010 AND 2009

	2010	2009
	(in thousands)	
ASSETS:		
Unrestricted cash and cash equivalents	$ 13,910	$ 11,487
Restricted cash and cash equivalents	950,701	329,546
Restricted cash in escrow for economic defeasance	2	22,369
Restricted investments	570,480	1,030,327
Restricted investments in escrow for economic defeasance	481	10,932
Personal income tax receivable from New York State	313,747	-
Personal income tax receivable from New York City - net	-	12,239
Due from New York City - future State building aid	3,420,798	3,800,793
Unamortized bond issuance costs	93,353	79,377
Other	11,419	9,427
TOTAL ASSETS	5,374,891	5,306,497
LIABILITIES:		
Personal income tax payable to New York City	313,747	-
Personal income tax refunds payable - net	-	12,239
Distributions payable to New York City capital programs	3,505	182,055
Accrued expenses	3,062	2,595
Accrued interest payable	253,249	207,729
Bonds payable		
Portion due within one year	441,665	173,820
Portion due after one year	19,651,985	16,739,540
Unamortized deferred bond refunding costs	(174,278)	(100,170)
Unamortized bond premium	481,169	354,428
Other	316	9,427
TOTAL LIABILITIES	20,974,420	17,581,663
NET ASSETS (DEFICIT):		
Restricted for economic defeasance	483	563
Restricted for capital projects	436,803	56
Deficit	(16,036,815)	(12,275,785)
TOTAL DEFICIT	$ (15,599,529)	$ (12,275,166)

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
	(in thousands)	
EXPENSES:		
General and administrative expenses	$ 11,977	$ 8,409
Distributions to New York City for general capital program	3,146,860	11,448
Distributions of Federal interest subsidy to City	3,782	-
Amortization of deferred bond refunding costs	10,648	17,895
Interest expense	721,707	651,003
Amortization of debt issuance costs	8,751	7,048
TOTAL EXPENSES	3,903,725	695,803
REVENUES:		
Personal income tax revenue	7,176,992	6,156,177
Less remittances to New York City	(6,986,346)	(6,017,903)
Personal income tax revenue retained	190,646	138,274
Unrestricted grant from New York City	370,524	645,747
Federal interest subsidy	14,885	-
Investment earnings	3,307	11,257
TOTAL REVENUES	579,362	795,278
CHANGE IN DEFICIT	(3,324,363)	99,475
Deficit - beginning of year	(12,275,166)	(12,374,641)
DEFICIT - END OF YEAR	$ (15,599,529)	$ (12,275,166)

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEETS
JUNE 30, 2010

(in thousands)

	Capital Projects		Debt Service		
	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
ASSETS:					
Unrestricted cash and cash equivalents	$ -	$ -	$ -	$ 13,910	$ 13,910
Restricted cash and cash equivalents	279	440,668	326,586	183,168	950,701
Restricted cash in escrow for economic defeasance	-	-	-	2	2
Restricted investments	-	-	199,116	371,364	570,480
Restricted investments in escrow for economic defeasance	-	-	-	481	481
Personal income tax receivable from New York State	-	-	-	313,747	313,747
Other	-	-	-	316	316
TOTAL ASSETS	$ 279	$ 440,668	$ 525,702	$ 882,988	$ 1,849,637
LIABILITIES AND FUND BALANCES:					
LIABILITIES					
Accrued expenses	$ -	$ 639	$ -	$ 2,423	$ 3,062
Distributions payable to New York City for capital programs	279	3,226	-	-	3,505
Deferred personal income tax revenue	-	-	-	261,000	261,000
Personal income tax payable to the City	-	-	-	52,747	52,747
Other	-	-	316	-	316
TOTAL LIABILITIES	279	3,865	316	316,170	320,630
FUND BALANCES					
Restricted for capital projects	-	436,803	-	-	436,803
Restricted for debt service	-	-	525,386	554,532	1,079,918
Reserved for economic defeasance	-	-	-	483	483
Unreserved	-	-	-	11,803	11,803
TOTAL FUND BALANCES	-	436,803	525,386	566,818	1,529,007
TOTAL LIABILITIES AND FUND BALANCES	$ 279	$ 440,668	$ 525,702	$ 882,988	$ 1,849,637

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

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

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

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET ASSETS (DEFICIT)
AS OF JUNE 30, 2010 AND 2009

	2010	2009
	(in thousands)	
Total fund balances - governmental funds	$ 1,529,007	$ 1,220,011
Amounts reported for governmental activities in the statements of net assets (deficit) are different because:		
Costs of debt issuance are expenditures in governmental funds financial statements. However, in the statement of net assets (deficit), the costs of debt issuance are reported as capitalized assets and amortized over the life of the related asset.	93,353	79,377
Bond premiums are reported as other financing sources in the governmental funds financial statements. However, in the statements of net assets (deficit), bond premiums are reported as a component of bonds payable and amortized over the lives of the related debt.	(481,169)	(354,428)
Federal Interest subsidy on BABs and QSCBs is recognized when the related bond interest is reported. On the statements of net assets (deficit), the amount of the subsidy applicable to the accrued bond interest is receivable as of fiscal year end. However, in the governmental funds balance sheet where no bond interest is reported as payable until due, no subsidy receivable is reported.	11,103	-
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as an other financing source in the governmental funds financial statements. However, in the statement of net assets (deficit), they are reported as due from the City.	3,420,798	3,800,793
Some liabilities are not due and payable in the current period from currently available financial resources and therefore are not reported in the governmental funds financial statements but are reported in the statements of net assets (deficit). These liabilities consist of:		
Bonds payable	(20,093,650)	(16,913,360)
Accrued interest on bonds	(253,249)	(207,729)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statement of net assets (deficit), those costs and the related gain or loss are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	174,278	100,170
Net assets (deficit) of government activities	$ (15,599,529)	$ (12,275,166)

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2010

(in thousands)

	Capital Projects		Debt Service		
	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	Total Governmental Funds
REVENUES:					
Personal income tax revenue	$ -	$ -	$ -	$ 6,874,992	$ 6,874,992
Less remittances to New York City	-	-	-	(6,684,346)	(6,684,346)
Personal income tax revenue retained	-	-	-	190,646	190,646
Unrestricted grant from New York City	-	-	-	370,524	370,524
Federal interest subsidy	-	-	-	3,782	3,782
Investment earnings	30	613	1,205	1,459	3,307
Other	250	-	-	-	250
TOTAL REVENUES	280	613	1,205	566,411	568,509
EXPENDITURES:					
Interest expense	-	-	194,789	516,895	711,684
Interest expense economic defeasance	-	-	-	1,219	1,219
Costs of debt issuance	-	19,375	-	-	19,375
Distributions to New York City for general capital program	-	3,146,860	-	-	3,146,860
Distribution of Federal interest subsidy to the City	-	-	-	3,782	3,782
Principal amounts of bonds retired	-	-	30,025	295,260	325,285
Principal amount of economic defeased bonds retired	-	-	-	31,615	31,615
Refunding bond issuance costs	-	-	-	10,460	10,460
General and administrative expenses	-	-	316	11,661	11,977
TOTAL EXPENDITURES	-	3,166,235	225,130	870,892	4,262,257
Excess (deficiency) of revenues over expenditures	280	(3,165,622)	(223,925)	(304,481)	(3,693,748)
OTHER FINANCING SOURCES (USES)					
Principal amount of bonds issued	-	3,565,000	-	-	3,565,000
Distributions to New York City for educational facilities capital program	(279)	-	-	-	(279)
Refunding bond proceeds	-	-	-	1,780,995	1,780,995
Bond premium, net of discount	-	29,532	-	174,074	203,606
Payments to refunded bond escrow holder	-	-	-	(1,926,852)	(1,926,852)
Transfer from New York City - building aid	-	-	380,274	-	380,274
Transfers in (out)	(57)	7,893	57	(7,893)	-
TOTAL OTHER FINANCING SOURCES (USES)	(336)	3,602,425	380,331	20,324	4,002,744
NET CHANGES IN FUND BALANCES	(56)	436,803	156,406	(284,157)	308,996
Fund Balances - beginning of year	56	-	368,980	850,975	1,220,011
FUND BALANCES - END OF YEAR	$ -	$ 436,803	$ 525,386	$ 566,818	$ 1,529,007

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

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

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

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY
RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
	(in thousands)	
Net changes in fund balances - total governmental funds	$ 308,996	$ 124,989
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds, but bonds issued increase long-term liabilities on the statements of net assets (deficit).	(3,565,000)	(2,270,000)
Refunding bond proceeds and payments to refunded bond escrow holder are reported as other financing sources and uses in the governmental funds, but increase and decrease long-term liabilities in the statements of net assets (deficit).	145,857	13,579
Governmental funds report costs of bond refundings as expenditures. However, in the statements of activities, the costs of bond refundings are amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to advance refund the bonds.	(188)	(16,083)
Repayment (including defeasance) of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets (deficit).	356,900	175,600
Governmental funds report the costs of debt issuance as expenditures. However, in the statements of activities, the cost of debt issuance is amortized over the life of the related debt.	10,624	9,621
Governmental funds report bond premiums/discounts as other financing sources/uses. However, in the statements of activities, bond premiums/discounts are amortized over the lives of the related debt as interest expense.	(141,481)	29,613
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as an other financing use in governmental funds. However, in the statements of activities, distributions of BARBs proceeds are reported as due from New York City-future State building aid.	279	2,310,502
Retention of building aid is reported similar to a transfer from the City, as an other financing source in the governmental funds. However, in the statements of activities, building aid retained is reported as a reduction of the amount due from New York City-future State building aid.	(380,274)	(226,709)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest cost is reported. On the statement of activities, the subsidy revenue in the amount applicable to the accrued bond interest expense is accrued as of fiscal year end. However, in the governmental funds where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	11,103	-
Interest expense is reported in the statement of activities on the accrual basis, but interest is reported as an expenditure in the governmental funds when the outlay of financing resources is required.	(70,929)	(51,637)
Other	(250)	-
Change in net (deficit) assets of governmental activities	$ (3,324,363)	$ 99,475

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

The Authority was created by State legislation enacted in 1997 to issue and sell up to $7.5 billion in bonds and notes ("Future Tax Secured Bonds" or "FTS Bonds") to fund a portion of the capital program of the City, the purpose of which is to maintain, rebuild and expand the infrastructure of the City and to pay the Authority's administrative expenses.

In June 2000, the State Legislature increased to $11.5 billion the Authority's capacity to issue bonds and notes for general City capital purposes. Within the $11.5 billion, the State Legislature increased the amount of FTS Bonds which may be issued as variable rate debt from $750 million to $2.3 billion. In July 2006, the statutory capacity to issue bonds and notes for general capital purposes of the City was increased by $2 billion; as of June 30, 2007, the Authority had issued its statutory limit of $13.5 billion of FTS Bonds. In July 2009 authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009 which permits the Authority to have outstanding $13.5 billion of FTS Bonds. In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of July 1, 2010, the City's and the Authority's combined debt-incurring capacity was approximately $26.3 billion.

On September 13, 2001, the State Legislature authorized the Authority to have outstanding an additional $2.5 billion of bonds and notes ("Recovery Bonds") to fund the City's costs related to and arising from events on September 11, 2001 at the World Trade Center, not withstanding the limits discussed above.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The government-wide financial statements of the Authority, which include the statements of net assets (deficit) and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The statements of net assets (deficit) and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental funds consist of four funds: (1) a building aid revenue bonds capital project fund ("BARBs CPF"), (2) a future tax secured bonds capital project fund ("FTS Bonds CPF"), (3) a building aid revenue bonds debt service fund ("BARBs DSF") and (4) a future tax secured bonds debt service fund ("FTS Bonds DSF"). The two capital project funds account for resources to be transferred to the City's capital programs in satisfaction of amounts due to the City and the two debt service funds account for the accumulation of resources for payment of principal and interest on long-term debt and certain interest on short-term debt, and to support the operations of the Authority.

B. To maintain the exemption from Federal income tax of interest on bonds issued by the Authority, the Authority will fund amounts required to be rebated to the Federal government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds.

   The Authority was not required to make an arbitrage rebate payment in fiscal year 2010 and made an arbitrage payment of $177 thousand in fiscal year 2009.

C. Bond and bond anticipation note premiums, discounts and issuance costs are capitalized and amortized over the lives of the related debt using the interest method in the government-wide financial statements. The governmental fund financial statements recognize the premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued and premium received are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

D. Deferred bond refunding costs represent the accounting loss incurred in advance refunding of outstanding bonds. The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt. In the debt service funds, costs of the bond refundings are reported as expenditures when incurred.

E. Interest expense is recognized on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when bond interest is due in the governmental fund financial statements.

F. The Authority receives City personal income taxes, imposed pursuant to State law and collected on behalf of the Authority by the State, to service its future tax secured debt and pay a portion of its administrative expenses. Funds for FTS Bonds debt service are required to be set aside prior to the due date of the principal and interest. Personal income taxes in excess of amounts needed to pay debt service and administrative expenses of the Authority are available to be remitted to the City. During the years ended June 30, 2010 and 2009, the Authority retained $190.65 million and $138.27 million, respectively of personal income tax to be used for FTS Bonds debt service and its administrative expenses. During fiscal years 2010 and 2009, unrestricted grants were received from the City, as described in Note 6.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. The Authority receives building aid payments by the State, subject to State annual appropriation, pursuant to the assignment by the City of the building aid payments to the Authority to service its building aid revenue bonds and pay a portion of its administrative expenses. Funds for building aid revenue bond debt service are required to be retained when the projected remaining building aid to be received by the Authority reaches 110% of the unfunded debt service for the next fiscal year. Unused building aid is available to be remitted to the City. During the years ended June 30, 2010 and 2009, the Authority retained of $380.27 million and $226.71 million, respectively of building aid to be used for BARBs debt service and its administrative expenses.

H. Newly Adopted Standards and Standards Issued But Not Yet Effective.

As a Component Unit of the City, the Authority implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the new standards which will or may impact the Authority.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51"). The statement requires all intangible assets not specifically excluded by its scope provisions to be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. The requirements for GASB 51 was effective for financial statements for periods beginning after June 15, 2009, and was thus implemented by the City for its fiscal year ended June 30, 2010. There was no impact on the Authority's financial statements as a result of implementation of GASB 51.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"). The statement establishes guidance on the recognition, measurement and disclosures related to derivative instruments entered into by governmental entities. GASB 53 requires that most derivative instruments be reported at fair value, and requires governmental entities to determine if derivatives are effective hedges of risks associated with related hedgeable items. Generally, for derivatives that are effective hedges, changes in fair values are deferred whereas for others the changes in fair value are recognized in the current period. The requirements for GASB 53 were effective for financial statements for periods beginning after June 15, 2009, and was thus implemented by the City for its fiscal year ended June 30, 2010. There was no impact on the Authority's financial statements as a result of implementation of GASB 53.

Pronouncement to be Implemented

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

I. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Authority's restricted cash and cash equivalents consisted of bank deposits, money market funds, U.S. Treasuries, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name. The Authority's restricted cash escrow is cash held by the escrow agent in the economic defeasance account.

The Authority's cash and cash equivalents and those restricted for the economic defeasance as of June 30, 2010 and 2009 are as follows:

	2010	2009
	(in thousands)	
Restricted cash and cash equivalents:		
Cash	$ 96	$ 22,369
Cash equivalents (see Note 4)	950,607	329,546
Total restricted cash and cash equivalents	950,703	351,915
Unrestricted cash and cash equivalents:		
Cash	206	88
Cash equivalents (see Note 4)	13,704	11,399
Total unrestricted cash and cash equivalents	13,910	11,487
Total cash and cash equivalents	$ 964,613	$ 363,402

As of June 30, 2010 and 2009, the Authority's restricted cash in escrow for economic defeasance consisted of bank deposits. As of June 30, 2010 and 2009, the carrying amounts and bank balances of bank deposits were $2.0 thousand and $22.37 million, respectively. The total restricted cash of $22.37 million as of June 30, 2009 related to the payment of principal and interest due on the economically defeased bonds paid in August 2009.

At June 30, 2009, under the Transaction Account Guarantee Program ("TAGP"), which is part of the Federal Deposit Insurance Corporation's (FDIC) "Temporary Liquidity Guarantee Program", there was an unlimited U.S. Government-backed guarantee on all dollars in non-interest bearing depository transaction accounts held in U.S. offices of FDIC-insured institutions. All of the Authority's cash was on deposit in such institutions in such accounts and was covered under this guarantee. This coverage was provided through December 31, 2009. Effective January 1, 2010, any bank balances over $250,000 were not FDIC insured and are not collateralized.

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

As of June 30, 2010 and 2009, the carrying amounts and bank balances of unrestricted bank deposits were $206 thousand and $88 thousand, respectively, and were insured by the FDIC.

The Authority's investments classified as cash and cash equivalents have an original maturity date of three months or less from the date of purchase. The Authority values those investments at fair value. See Note 4 below for a discussion of the Authority's investment policy.

NOTE 4 – INVESTMENTS

Each account of the Authority that is held pursuant to the Indenture between the Authority and its Trustee, as amended and as restated June 4, 2010, (the "Indenture") may be invested in securities or categories of investments that are specifically enumerated as permitted investments for such account pursuant to the Indenture.

Custodial credit risk: Is the risk that, in the event of the failure of the custodian, the Authority may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are not collateralized. All investments are held in the Trustee's name by the Trustee.
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Credit risk: The Authority investments are primarily government-sponsored enterprise discount notes. All commercial paper held by the Authority is non-asset backed commercial paper and is rated A1+ by Standard Poor's Rating Services and P1 by Moody's Investor Services.

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

The Authority's restricted investments in the economic defeasance escrow account held by the Authority's Trustee are reported at fair value.

The Authority's investments, including cash equivalents and those restricted for the economic defeasance, as of June 30, 2010 and 2009 are as follows:

	2010	2009
	(in thousands)	
Restricted including economic defeasance investments		
Money market funds	$ 1,740	$ 1,251
Securities of U.S. government agencies	992,199	1,187,472
U.S. Treasuries	87,694	-
Commercial paper	439,935	182,082
Total restricted investments	1,521,568	1,370,805
Less: amounts reported as cash equivalents	(950,607)	(329,546)
Total restricted investments, including economic defeasance	$ 570,961	$1,041,259
Unrestricted		
Money market funds	$ 1,704	$ 2,136
Securities of U.S. government agencies	12,000	9,263
Total unrestricted investments	13,704	11,399
Less: amounts reported as cash equivalents	(13,704)	(11,399)
Total unrestricted investments	$ -	$ -

NOTE 5 – BONDS PAYABLE

Pursuant to the New York City Transitional Finance Authority Act (the "Act"), as amended, the Authority is authorized to have outstanding $13.5 billion of FTS Bonds, excluding Recovery Bonds. In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of July 1, 2010, the City's and the Authority's combined debt-incurring capacity was approximately $26.3 billion. The Authority is also authorized to have outstanding $2.5 billion of Recovery Bonds and notes to pay costs related to or arising from the World Trade Center attack on September 11, 2001.

The Indenture permits the Authority to issue Senior and Subordinate FTS Bonds which consists of Recovery Bonds, Build America Bonds, Qualified School Construction Bonds, and other parity debt. As of June 30, 2010 and 2009, the Authority had $6.59 billion and $8.44 billion, respectively, of Senior bonds outstanding, including $.5 million and $32 million, respectively, of economically defeased bonds. The Authority is authorized to issue Senior FTS Bonds in an amount not to exceed $12 billion in outstanding principal and subject to a $330 million limit on quarterly debt service. Subordinate FTS Bonds outstanding as of June 30, 2010 and 2009 was $9.28 billion and $4.22 billion, respectively. Total FTS Bonds outstanding at June 30, 2010 and 2009 was $15.87 billion and $12.66 billion, respectively. The Authority includes the escrow funds for the economically defeased bonds in its assets and those funds provide for all future debt service on the economically defeased bonds, which are included in the Authority's bonds payables.

In fiscal year 2010 and 2009, the changes in FTS Bonds payable were as follows:

	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009	Bonds Issued	Retired or Defeased	Balance June 30, 2010
			- - - - - - - (in thousands)	- - - - - - -			
Senior FTS Bonds	$ 8,557,965	$ 219,300	$ (334,840)	$ 8,442,425	$ -	$ (1,852,560)	$ 6,589,865
Subordinate Bonds:							
Recovery Bonds	1,521,900	-	-	1,521,900	81,000	(136,700)	1,466,200
Parity Bonds	2,747,965	-	(50,110)	2,697,855	3,283,755	(146,420)	5,835,190
Build America Bonds	-	-	-	-	1,731,240	-	1,731,240
Qualified School Construction Bonds	-	-	-	-	250,000	-	250,000
Total Subordinate FTS bonds	4,269,865	-	(50,110)	4,219,755	5,345,995	(283,120)	9,282,630
Total FTS bonds payable	$ 12,827,830	$ 219,300	$ (384,950)	$ 12,662,180	$ 5,345,995	$ (2,135,680)	$ 15,872,495

The Authority funds its debt service requirements for all FTS Bonds and its administrative expenses from grant money, when available, and personal income taxes collected on its behalf by the State and, under certain circumstances if it were necessary, sales taxes. Sales taxes are only available to the Authority if the amounts of personal income tax revenues fall below statutorily specified debt service coverage levels. No sales tax revenues were received or required during the fiscal years ending June 30, 2010 and 2009. The Authority remits any excess personal income tax not required for its debt service payments and its administrative expenses to the City. The Authority has no taxing power.

NOTE 5 – BONDS PAYABLE (Continued)

On June 30, 2010 and 2009, the Authority had $3.15 billion and $2.89 billion, respectively, of FTS Bonds variable rate bonds outstanding, consisting of $.22 billion of Auction Rate Securities (ARSs) and $2.93 billion and $2.67 billion, respectively, of Variable Rate Demand Bonds (VRDBs). The interest rate on the ARSs is established weekly by an auction agent at the lowest clearing rate based upon bids received from broker dealers. The interest rate on the ARSs cannot exceed 12%. In fiscal years 2010 and 2009, the interest rate on the ARSs averaged .79% and 3.27%, respectively. The VRDBs bear a daily rate, a two-day rate or a weekly rate and represent the lowest rate of interest that would cause the adjustable rate bonds to have a market value equal to the principal amount. The rates cannot exceed 9% on tax exempt bonds and 12% on taxable bonds. In fiscal years 2010 and 2009, the VRDB rates averaged .23% and 1.33%, respectively, on tax exempt bonds and .36% and 2.85%, respectively, on taxable bonds.

Included in bonds payable on June 30, 2010 and 2009 were $0.5 million and $32 million, respectively, of FTS Bonds that were economically defeased on March 24, 2004, and the escrow deposited with the Authority's Trustee is recorded as an asset. These amounts were funded from the proceeds of the sale of Fiscal 2004 Series D FTS Bonds.

On August 27, 2009, the Authority issued $800 million, Fiscal 2010 Series B FTS Bonds and together with the premium received of $79.6 million and an equity contribution from current revenue of $42.9 million, current and advanced refunded $876.8 million of its outstanding FTS Bonds. This refunding resulted in an accounting loss of $ 30.8 million, which is recorded as deferred bond refunding costs on the statement of net assets (deficit). The Authority in effect reduced the aggregate debt service by $65.9 million and obtained an economic benefit of $56.1 million.

On January 26, 2010, the Authority issued $500 million, Fiscal 2010 Series D and E FTS Bonds and, together with the premium received of $47.2 million and an equity contribution from current revenue of $22.3 million, current and advanced refunded $523.2 million of its outstanding FTS Bonds. This refunding resulted in an accounting loss of $30.6 million, which is recorded as deferred bond refunding costs on the statement of net assets (deficit). The Authority in effect reduced the aggregate debt service by $39.0 million and obtained an economic benefit of $30.1 million.

On June 4, 2010, the Authority issued $399.99 million, Fiscal 2010 Series H and I FTS Bonds and together with premium of $38.87 million and an equity contribution from current revenue of $6.04 million, current and advanced refunded $408.9 million of its outstanding FTS Bonds. This refunding resulted in an accounting loss of $23.3 million, which is recorded as deferred bond refunding costs on the statement of net assets (deficit). The Authority in effect reduced its aggregate debt service by $32.02 million and obtained an economic benefit of $25.11 million.

On April 2, 2009, the Authority issued $219.3 million of Fiscal 2009 Series A and B FTS Bonds and together with the premium received of $15.39 million, advanced refunded $228.17 million of its outstanding FTS Bonds. This advance refunding resulted in an accounting loss of $5.0 million, which is recorded as deferred bond refunding costs on the statement of net assets (deficit). The Authority in effect reduced the aggregate debt service by $13.1 million and obtained an economic benefit of $10.94 million.

Bonds economically defeased remain a liability and the escrow deposited with the Authority's Trustee is an asset on the Authority's records. The bonds refunded with Defeasance Collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2010 and 2009, the Authority had FTS Bonds refunded with Defeasance Collateral totaling $7.11 billion and $5.30 billion, respectively, of which $1.49 billion and $2.43 billion, respectively, are still to be paid from the Defeasance Collateral held in the escrow accounts on deposit with the Authority's escrow Trustee.

NOTE 5 – BONDS PAYABLE (Continued)

Debt service requirements as of June 30, 2010, for FTS Bonds, including Recovery Bonds, payable to their maturity are as follows:

	Principal	Interest (a)	Total
	---------- (in thousands) ----------		
Year ended June 30,			
2011	$ 376,210	$ 616,384	$ 992,594
2012	594,405	670,355	1,264,760
2013	719,035	686,381	1,405,416
2014	725,075	657,749	1,382,824
2015	733,375	628,002	1,361,377
2016 to 2020	4,033,850	2,610,463	6,644,313
2021 to 2025	3,840,985	1,697,017	5,538,002
2026 to 2030	2,973,675	822,068	3,795,743
2031 to 2035	1,191,790	309,146	1,500,936
2036 to 2040	684,095	101,088	785,183
	$ 15,872,495	$ 8,798,653	$ 24,671,148

(a) Interest on the callable Fiscal 2003 Series A and Fiscal 2003 Series B term bonds which would convert to 14% and 10%, respectively, on the call date, November 1, 2011 and February 1, 2011, respectively, if not called, and interest on the callable Fiscal 2003 Series A capital appreciation bonds which would convert to 14% per annum if not called on its call date, November 1, 2011, are computed in this table at the 14% or 10% rates, as if those bonds were not called. If variable interest is calculated at 5.00% on tax-exempt and 7.00% on taxable per annum (which are the rates utilized for retention), total interest would be increased to $10.72 billion from the $8.80 billion in the above table.

In addition to the Authority's authorization to issue FTS Bonds, State legislation enacted in April 2006 enables the Authority to have outstanding up to $9.4 billion of Building Aid Revenue Bonds, notes or other obligations (BARBs) for purposes of funding costs of the five-year educational facilities capital plan for the City's school system and certain administrative expenditures. As of June 30, 2010 and 2009, the Authority had $4.22 billion and $4.25 billion, respectively, of BARBs outstanding.

Under this legislation, the BARBs are payable from the State building aid payable by the State and assigned to the Authority by the City. These State aid payments are subject to annual appropriation from the State. In accordance with the legislation and the Indenture, BARB bond holders do not have any right to the personal income tax revenues or sales tax revenues.

	Balance June 30, 2008	Bonds Issued	Retired or Defeased	Balance June 30, 2009	Bonds Issued	Retired or Defeased	Balance June 30, 2010
	- - - - - - - - - - - - - - - (in thousands) - - - - - - - - - - - - - - -						
Building Aid Revenue							
Total Bonds Payable	$ 2,000,000	$ 2,270,000	$ (18,820)	$ 4,251,180	$ -	$ (30,025)	$ 4,221,155

NOTE 5 – BONDS PAYABLE (Continued)

Debt service requirements at June 30, 2010, for BARBs payable to maturity are as follows:

	Principal	Interest	Total
	---------- (in thousands) ----------		
Year ended June 30,			
2011	$ 65,455	$ 209,305	$ 274,760
2012	71,190	206,899	278,089
2013	75,850	204,290	280,140
2014	84,845	201,297	286,142
2015	89,590	197,722	287,312
2016 to 2020	513,445	922,386	1,435,831
2021 to 2025	636,690	785,256	1,421,946
2026 to 2030	816,445	604,419	1,420,864
2031 to 2035	1,043,405	372,591	1,415,996
2036 to 2039	824,240	93,106	917,347
	$ 4,221,155	$ 3,797,271	$ 8,018,427

As of June 30, 2010 and 2009, the Authority maintained its required debt service accounts as follows:

	June 30, 2010		June 30, 2009	
	(in thousands)			
	Principal	Interest	Principal	Interest
Required for FTS	$ 37,240	$ 143,164	$ 33,880	$ 124,429
Required for BARBs	$ 65,455	$ 209,305	$ 30,025	$ 194,790

The Authority held approximately $370.52 million and $649.49 million in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2010 and 2009, respectively. The Authority held approximately $250.61 million and $143.48 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2010 and 2009, respectively.

NOTE 6 – UNRESTRICTED GRANT FROM THE CITY OF NEW YORK

In fiscal years 2010 and 2009, the Authority received unrestricted grants from the City in the amount of $370.52 million and $645.75 million, respectively. These funds are used to fund debt service requirements for FTS Bonds and administrative expenses during the fiscal years ending June 30, 2011 and 2010, respectively.

NOTE 7 – ADMINISTRATIVE COSTS

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

NOTE 8 – SUBSEQUENT EVENTS

On August 16, 2010, the Authority issued $1.0 billion, Fiscal 2011 Series A FTS Bonds, comprised of Subseries A-1, $614.40 million of taxable Build America Bonds; Subseries A-2, $147.06 million of taxable Qualified School Construction Bonds; and Subseries A-3 $138.54 million of tax-exempt subordinate bonds, and A-4 $100 million of tax-exempt variable rate bonds. The proceeds of the Fiscal 2011 Series A FTS Bonds will be used for the City's capital programs.

On September 10, 2010, the Authority deposited $81.33 million of retained building aid into an escrow account with the Authority's Trustee for the payment of $75.85 million of BARBs due in fiscal year 2013.

Appendix C

PROPOSED FORM OF BOND COUNSEL OPINION

November , 2010

NEW YORK CITY TRANSITIONAL
FINANCE AUTHORITY

We have acted as bond counsel to the New York City Transitional Finance Authority (the "Authority"), a public benefit corporation organized under the laws of the State of New York (the "State"), in the Authority's issuance of its Building Aid Revenue Bonds, Fiscal 2011 Subseries S-1A Tax-Exempt Bonds (the "Tax-Exempt Bonds"), and Building Aid Revenue Bonds, Fiscal 2011 Subseries S-1B Taxable Bonds (together with the Tax-Exempt Bonds, the "Series 2011 S-1 Bonds"). The Series 2011 S-1 Bonds are being issued pursuant to Chapter 16, Laws of New York, 1997, as amended (the "Act"), to the Amended and Restated Original Indenture, dated October 25, 2010, as supplemented (the "Indenture"), between the Authority and The Bank of New York Mellon, as Trustee, and to an Assignment of State Aid dated October 19, 2006 (the "Assignment"), and a Financing Agreement dated October 1, 1997, as supplemented and as amended and restated November 16, 2006 (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 Series 2011 S-1 Bonds are dated, bear interest, mature, are subject to redemption and are secured as set forth in the Indenture. The Authority is authorized to issue additional bonds payable from the Building Aid pledged and the other collateral provided for School Bonds in the Indenture (together with such bonds heretofore issued and the Series 2011 S-1 Bonds, the "School Bonds") and other bonds (together with the School Bonds, the "Bonds") on the terms and conditions set forth in the Indenture and all such Bonds shall be entitled to the benefit, protection and security of the Indenture, payable from the sources of revenue in the order of priority set forth therein. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

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

1. The Authority is a public benefit corporation duly organized and existing under the laws of the State, and is authorized under the laws of the State, particularly the Act, to enter into the Indenture and the Agreement and to issue the Series 2011 S-1 Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid with respect to all provisions thereof material to the subject matter of this opinion letter.

2. The Series 2011 S-1 Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding obligations of the Authority payable from the Building Aid pledged and the other collateral provided for School Bonds in the Indenture. The Series 2011 S-1 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 Series 2011 S-1 Bonds be payable out of any funds other than those of the Authority.

3. The Act validly provides for (a) the payment to the Authority of the Building Aid, (b) the Authority's pledge to the Trustee of the Building Aid and other collateral described in the Indenture and (c) the application of proceeds of the Series 2011 S-1 Bonds to purposes of the City.

4. The City, acting through the Mayor, has assigned to the Authority all of the State school building aid payable to the City or its school district pursuant to subdivision 6 of section 3602 of the Education Law (or to any successor provision of State law) and, under the Act, such Building Aid and the right to receive the Building Aid are the property of the Authority. The availability of Building Aid for payment by the Authority of principal or interest on the Series 2011 S-1 Bonds is subject to State appropriation, to prior claims under the Constitution and laws of the State, and to priorities under the Indenture in favor of specified Senior Bonds, Recovery Bonds and other Parity Debt.

5. The Indenture (a) has been duly and lawfully authorized, executed and delivered by the Authority, (b) creates the valid pledge of Building Aid 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 Building Aid nor does it obligate the State to make any payments not specified in the Act or impose any taxes to satisfy the obligations of the Authority.

6. The lien of the Indenture on the Building Aid for the security of the outstanding Senior Bonds, and School Bonds, including the Series 2011 S-1 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, including the Building Aid, and other collateral made by the Authority in the Indenture is valid, binding and perfected without any physical delivery of the collateral or further act, and the lien thereof is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of such parties' notice thereof.

7. The Assignment and the Agreement have been duly and lawfully authorized, executed and delivered by the Authority and the City pursuant to the Act, and are valid and binding agreements of each of them.

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

9. The Series 2011 S-1 Bonds are issued for school purposes and therefore entitled to the benefit of § 99-b of the State Finance Law.

10. Interest on the Series 2011 S-1 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

11. The Authority and the City have covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion from gross income of the interest on the Tax-Exempt Bonds for purposes of federal income taxation. Assuming compliance by the Authority and the City with such provisions of the Code, interest on the Tax-Exempt Bonds will be excludable from the gross income of the owners thereof for purposes of federal income taxation. Failure by the Authority or the City to comply with such applicable requirements may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof retroactive to the date of the issue of the Tax-Exempt Bonds. Further, we render no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action taken or not taken after the date of this opinion without our approval.

12. Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax; nor is it included as an adjustment in calculating federal corporate alternative minimum taxable income. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Tax-Exempt Bonds or the receipt of interest thereon.

13. The excess, if any, of the stated redemption price at maturity of any maturity of the Tax-Exempt Bonds over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Tax-Exempt Bonds with original issue discount is excluded from gross income for federal income tax purposes to the same extent as interest on the Tax-Exempt Bonds.

14. 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 Series 2011 S-1 Bonds. The

adoption and compliance with all of the terms and conditions of the Indenture and the Series 2011 S-1 Bonds, and the execution and delivery of the Series 2011 S-1 Bonds, will not result in a violation of or be in conflict with any existing law.

The rights of the holders of the Series 2011 S-1 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. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the covenants referenced above.