

## NEW ISSUE

In the respective opinions of Norton Rose Fulbright US LLP and Bryant Rabbino LLP, Co-Bond Counsel to the Authority, interest on the Fixed Rate Bonds will be exempt from personal income taxes imposed by the State of New York (the "State") or any political subdivision thereof, including The City of New York (the "City"), and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Subseries C-1 Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes. Interest on the Subseries C-2 Bonds and the Subseries C-3 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.



**\$1,450,000,000**  
**New York City Transitional Finance Authority**  
**Future Tax Secured Subordinate Bonds**  
**Fiscal 2019 Series C**

**\$850,000,000 Subseries C-1**  
**Tax-Exempt Bonds**

**\$300,000,000 Subseries C-2**  
**Taxable Bonds**

**\$300,000,000 Subseries C-3**  
**Taxable Bonds**

**Dated: Date of Delivery**

**Due: As shown on inside cover pages**

The Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2019 Subseries C-1 (the "Subseries C-1 Bonds"), the Future Tax Secured Taxable Subordinate Bonds, Fiscal 2019 Subseries C-2 (the "Subseries C-2 Bonds") and the Future Tax Secured Taxable Subordinate Bonds, Fiscal 2019 Subseries C-3 (the "Subseries C-3 Bonds" and, together with the Subseries C-2 Bonds, the "Taxable Bonds") are being issued by the New York City Transitional Finance Authority (the "Authority") pursuant to the New York City Transitional Finance Authority Act, as amended (the "Act"), and the Amended and Restated Original Indenture, as restated December 1, 2010, as supplemented (the "Indenture"), by and between the Authority and The Bank of New York Mellon, New York, New York, as Trustee (the "Trustee"). The Subseries C-1 Bonds and the Taxable Bonds, all of which will bear interest at fixed rates, are collectively referred to herein as the "Fixed Rate Bonds."

Simultaneously with the issuance of the Fixed Rate Bonds, the Authority expects to (i) issue its Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2019 Subseries C-4 in an aggregate principal amount of \$150,000,000 (the "Adjustable Rate Bonds"), and (ii) reoffer its Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2010 Series G, Subseries G-6 and Fiscal 2011 Series A, Subseries A-4 in an aggregate principal amount of \$200,000,000 (collectively, the "Reoffered Bonds") as variable rate bonds. The Adjustable Rate Bonds will be offered, and the Reoffered Bonds will be reoffered, by a separate offering circular.

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

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

The Fixed Rate Bonds will be issued only in fully registered form, registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"). Purchasers will not receive physical delivery of the Fixed Rate Bonds. Principal, redemption price and interest will be payable to DTC by the Trustee. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursements to the purchasers of the Fixed Rate Bonds are the responsibility of the DTC Participants. See "SECTION IV: THE FIXED RATE BONDS—Book-Entry Only System" and "—Global Clearance Procedures."

Purchases of the Fixed Rate Bonds will be made in book-entry form in denominations of \$5,000 and integral multiples thereof. Interest on the Fixed Rate Bonds accrues from the dated date, and is payable on each May 1 and November 1, commencing November 1, 2019.

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

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

The Subseries C-1 Bonds are being offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters. The Taxable Bonds are being sold by public letting on the basis of electronic competitive bids in accordance with a Notice of Sale, dated March 15, 2019, as supplemented. The issuance of the Fixed Rate Bonds is subject to the approval of legality of the Fixed Rate Bonds and certain other matters by Norton Rose Fulbright US LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the New York City Corporation Counsel. Certain legal matters will be passed upon for the Underwriters of the Subseries C-1 Bonds and for the Initial Purchasers of the Taxable Bonds by their co-counsel, Hawkins Delafield & Wood LLP, New York, New York, and Pearlman & Miranda LLC, New York, New York. It is expected that the Fixed Rate Bonds will be available for delivery in New York, New York on or about April 12, 2019.

**Goldman Sachs & Co. LLC**

**BofA Merrill Lynch**  
**J.P. Morgan**  
**RBC Capital Markets**

**Citigroup**  
**Loop Capital Markets**

**Jefferies**  
**Ramirez & Co., Inc.**  
**Siebert Cisneros Shank & Co., L.L.C.**

**Barclays**  
**Fidelity Capital Markets**  
**Oppenheimer & Co.**  
**Stifel, Nicolaus & Company, Incorporated**

**BNY Mellon Capital Markets, LLC**  
**Janney Montgomery Scott**  
**Raymond James**  
**TD Securities**  
**Wells Fargo Securities**

**Drexel Hamilton, LLC**  
**Morgan Stanley**  
**Roosevelt & Cross Incorporated**  
**U.S. Bancorp Investments, Inc.**

**Academy Securities Inc.**  
**Hilltop Securities Inc.**  
**Stern Brothers & Co.**

**Blaylock Van, LLC**  
**PNC Capital Markets LLC**

**FTN Financial Capital Markets**  
**Rice Financial Products Company**  
**The Williams Capital Group, L.P.**

**\$1,450,000,000**  
**New York City Transitional Finance Authority**  
**Future Tax Secured Subordinate Bonds**  
**Fiscal 2019 Series C**

**\$850,000,000**  
**Subseries C-1 Tax-Exempt Bonds**

Base CUSIP<sup>(1)</sup>: 64971X

Due November 1,	Principal Amount	Interest Rate	Yield	CUSIP <sup>(1)</sup> Suffix
2020	\$ 8,330,000	3%	1.53%	JP4
2020	355,000	4	1.53	JN9
2020	29,055,000	5	1.53	JM1
2021	1,775,000	4	1.55	JR0
2021	18,455,000	5	1.55	JQ2
2022	5,565,000	5	1.58	JS8
2023	5,395,000	5	1.63	JT6
2024	5,375,000	5	1.71	JU3
2025	5,355,000	5	1.77	JV1
2026	5,325,000	5	1.83	JW9
2027	5,305,000	5	1.90	JX7
2028	5,305,000	5	1.98	JY5
2029 <sup>(2)</sup>	5,340,000	5	2.06	JZ2
2030 <sup>(2)</sup>	5,385,000	5	2.17	KA5
2031 <sup>(2)</sup>	5,460,000	5	2.27	KB3
2032 <sup>(2)</sup>	3,570,000	5	2.36	KC1
2033 <sup>(2)</sup>	3,690,000	5	2.42	KD9
2034 <sup>(2)</sup>	66,505,000	5	2.51	KE7
2035 <sup>(2)</sup>	69,835,000	5	2.56	KF4
2036	10,310,000	3	3.05	KG2
2036 <sup>(2)</sup>	63,015,000	4	2.93	KH0
2037 <sup>(2)</sup>	76,145,000	4	2.99	KJ6
2038 <sup>(2)</sup>	79,200,000	4	3.03	KK3
2039 <sup>(2)</sup>	44,060,000	4	3.09	KL1
2039 <sup>(2)</sup>	38,310,000	5	2.71	KM9
2040 <sup>(2)</sup>	86,030,000	4	3.12	KN7
2043	9,795,000	3¼	3.30	KQ0
2043 <sup>(2)</sup>	5,205,000	5	2.81	KR8

\$182,550,000 4% Fiscal 2019 Subseries C-1 Term Bonds due November 1, 2042<sup>(2)</sup> — Yield 3.16%  
CUSIP<sup>(1)</sup> Number: 64971XKP2

<sup>(1)</sup> Copyright, American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services (“CGS”), operated on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers listed above have been assigned by an independent company not affiliated with the Authority and are being provided solely for the convenience of Bondholders only at the time of issuance of the Fixed Rate Bonds, and none of the Authority, the Underwriters or the Initial Purchasers make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Fixed Rate Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Fixed Rate Bonds.

<sup>(2)</sup> Priced to first optional par call on May 1, 2029.

**\$300,000,000**  
**Subseries C-2 Taxable Bonds**

**Base CUSIP<sup>(1)</sup>: 64971X**

**Base ISIN<sup>(1)</sup>: US64971X**

**Base Common Code<sup>(2)</sup>: 1974**

Due November 1,	Principal Amount	Interest Rate	Price	CUSIP <sup>(1)</sup> Suffix	ISIN <sup>(1)</sup> Suffix	Common Code <sup>(2)</sup> Suffix
2021	\$19,230,000	2.49%	100%	HX9	HX93	62876
2022	35,375,000	2.52	100	HY7	HY76	68254
2023	41,250,000	2.57	100	HZ4	HZ42	80351
2024	42,600,000	2.64	100	JA7	JA72	80416
2025	44,010,000	2.74	100	JB5	JB55	80530
2026	45,510,000	2.88	100	JC3	JC39	80955
2027	47,105,000	2.98	100	JD1	JD12	81064
2028	24,920,000	3.13	100	JE9	JE94	81242

**\$300,000,000**  
**Subseries C-3 Taxable Bonds**

**Base CUSIP<sup>(1)</sup>: 64971X**

Due November 1,	Principal Amount	Interest Rate	Price	CUSIP <sup>(1)</sup> Suffix
2028	\$23,855,000	3 <sup>1</sup> / <sub>8</sub> %	100%	JF6
2029	50,535,000	3 <sup>1</sup> / <sub>4</sub>	100	JG4
2030	52,395,000	3.35	100	JH2
2031	54,345,000	3.45	100	JJ8
2032	58,385,000	3 <sup>1</sup> / <sub>2</sub>	100	JK5
2033	60,485,000	3.55	100	JL3

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<sup>(2)</sup> The Common Codes are provided herein by Euroclear Bank S.A./N.V. Common Codes are provided for convenience of reference only. None of the Authority, the Underwriters or the Initial Purchasers are responsible for the selection or uses of these Common Codes, and no representation is made as to their correctness on the applicable Fixed Rate Bonds or as included herein.

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THE FIXED RATE BONDS ARE BEING ISSUED AS MULTI-MODAL BONDS IN THE FIXED RATE MODE. THIS OFFERING CIRCULAR DOES NOT DESCRIBE TERMS SPECIFICALLY APPLICABLE TO THE FIXED RATE BONDS BEARING INTEREST AT RATES OTHER THAN A FIXED RATE. SEE “SECTION IV: THE FIXED RATE BONDS—MULTI-MODAL BONDS IN THE FIXED RATE MODE.”

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Offering Circular.

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

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

**IN CONNECTION WITH OFFERINGS AND SALES OF THE FIXED RATE BONDS, NO ACTION HAS BEEN TAKEN BY THE AUTHORITY THAT WOULD PERMIT A PUBLIC OFFERING OF THE FIXED RATE BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE FIXED RATE BONDS, THIS OFFERING CIRCULAR OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE FIXED RATE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE UNDERWRITERS AND THE INITIAL PURCHASERS ARE OBLIGATED TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION IN WHICH THEY OFFER OR SELL THE FIXED RATE BONDS OR POSSESS OR DISTRIBUTE THIS OFFERING CIRCULAR OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE FIXED RATE BONDS AND ARE OBLIGATED TO OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY THEM FOR THE OFFER OR SALE BY THEM OF THE FIXED RATE**

**BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION TO WHICH THEY ARE SUBJECT OR IN WHICH THEY MAKE SUCH OFFERINGS OR SALES, AND THE AUTHORITY SHALL HAVE NO RESPONSIBILITY THEREFOR.**

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

**MARKS PANETH LLP, THE AUTHORITY'S INDEPENDENT AUDITOR, HAS NOT REVIEWED, COMMENTED ON OR APPROVED, AND IS NOT ASSOCIATED WITH, THIS OFFERING CIRCULAR. THE REPORT OF MARKS PANETH LLP RELATING TO THE AUTHORITY'S FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017, WHICH IS A MATTER OF PUBLIC RECORD, IS INCLUDED IN THIS OFFERING CIRCULAR. HOWEVER, MARKS PANETH LLP HAS NOT PERFORMED ANY PROCEDURES ON ANY FINANCIAL STATEMENTS OR OTHER FINANCIAL INFORMATION OF THE AUTHORITY, INCLUDING WITHOUT LIMITATION ANY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR, SINCE THE DATE OF SUCH REPORT AND HAS NOT BEEN ASKED TO CONSENT TO THE INCLUSION OF ITS REPORT IN THIS OFFERING CIRCULAR.**

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

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

THE AUTHORITY (REFERRED TO IN THESE LEGENDS AS THE “ISSUER”) MAKES NO REPRESENTATION AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION UNDER THIS CAPTION. REFERENCES UNDER THIS CAPTION TO “BONDS” OR “SECURITIES” MEAN THE FIXED RATE BONDS OFFERED HEREBY, AND REFERENCES TO THE “UNDERWRITERS” MEAN THE UNDERWRITERS AND THE INITIAL PURCHASERS. THESE LEGENDS ARE BEING PROVIDED SOLELY FOR THE CONVENIENCE OF THE UNDERWRITERS. COMPLIANCE WITH ANY RULES OR RESTRICTIONS OF ANY JURISDICTION RELATING TO THE OFFERING, SOLICITATION AND/OR SALE OF THE BONDS IS THE RESPONSIBILITY OF THE UNDERWRITERS AND THE AUTHORITY SHALL NOT HAVE RESPONSIBILITY OR LIABILITY IN CONNECTION THEREWITH.

IN CONNECTION WITH OFFERINGS AND SALES OF THE FIXED RATE BONDS, NO ACTION HAS BEEN TAKEN BY THE AUTHORITY THAT WOULD PERMIT A PUBLIC OFFERING OF THE FIXED RATE BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE FIXED RATE BONDS, THIS OFFERING CIRCULAR OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE FIXED RATE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

### **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 30 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

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

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA (“EEA”). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC (AS AMENDED, THE “INSURANCE MEDIATION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC (AS AMENDED, THE “PROSPECTUS DIRECTIVE”). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFERING CIRCULAR HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EEA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAS AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE

UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFERING CIRCULAR.

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 BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFERING CIRCULAR IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THAT RELEVANT MEMBER STATE, OTHER THAN: (A) TO “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS DIRECTIVE; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS DIRECTIVE), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR THE ISSUER FOR ANY SUCH OFFER; OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR ANY UNDERWRITER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3(1) OF THE PROSPECTUS DIRECTIVE OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 16 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE BONDS 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 BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS, AS THE SAME MAY BE VARIED IN THAT RELEVANT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT RELEVANT MEMBER STATE.

EACH SUBSCRIBER FOR OR PURCHASER OF THE SECURITIES IN THE OFFERING LOCATED WITHIN A RELEVANT MEMBER STATE WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

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

THIS OFFERING CIRCULAR HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (“FSMA”) AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFERING CIRCULAR 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 FSMA (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 ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFERING CIRCULAR IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING CIRCULAR RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

#### **NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG**

THE CONTENTS OF THIS OFFERING CIRCULAR HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN



RELATION TO THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFERING CIRCULAR, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED BY THE REGISTRAR OF COMPANIES IN HONG KONG PURSUANT TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CHAPTER 32) OF THE LAWS OF HONG KONG (“CWMO”).

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#### **NOTICE TO PROSPECTIVE INVESTORS IN JAPAN**

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

THE BONDS WILL NOT BE LISTED ON THE TAIPEI EXCHANGE AND MAY BE MADE AVAILABLE ONLY (I) TO INVESTORS IN TAIWAN THROUGH LICENSED TAIWAN FINANCIAL INSTITUTIONS TO THE EXTENT PERMITTED UNDER RELEVANT TAIWAN LAWS AND REGULATIONS; (II) TO THE OFFSHORE BANKING UNITS OF TAIWAN BANKS PURCHASING THE SECURITIES EITHER FOR THEIR PROPRIETARY ACCOUNT OR IN TRUST FOR THEIR NON-TAIWAN TRUST CLIENTS; (III) TO THE OFFSHORE SECURITIES UNITS OF TAIWAN SECURITIES FIRMS PURCHASING THE SECURITIES EITHER FOR THEIR PROPRIETARY ACCOUNT, IN TRUST FOR THEIR TRUST CLIENTS OR AS AGENT FOR THEIR BROKERAGE CLIENTS; (IV) TO THE OFFSHORE INSURANCE UNITS OF TAIWAN INSURANCE COMPANIES PURCHASING THE BONDS FOR THEIR PROPRIETARY ACCOUNT OR IN CONNECTION WITH THE ISSUANCE OF INVESTMENT LINKED INSURANCE POLICIES TO NON-TAIWAN POLICY HOLDERS; OR (V) OUTSIDE OF TAIWAN TO TAIWAN RESIDENT INVESTORS FOR PURCHASE BY SUCH INVESTORS OUTSIDE OF TAIWAN, BUT ARE NOT PERMITTED TO OTHERWISE BE OFFERED OR SOLD IN TAIWAN.

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## SUMMARY OF TERMS

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

Issuer ..... The New York City Transitional Finance Authority (the “Authority”) is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the “State”) created by the New York City Transitional Finance Authority Act (as amended, the “Act”).

Securities Offered..... The following Bonds of the Authority are to be issued pursuant to the Amended and Restated Original Indenture, as restated December 1, 2010 (as supplemented, the “Indenture”), by and between the Authority and The Bank of New York Mellon, New York, New York, as trustee (the “Trustee”):

\$850,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2019 Subseries C-1 (the “Subseries C-1 Bonds”);

\$300,000,000 Future Tax Secured Taxable Subordinate Bonds, Fiscal 2019 Subseries C-2 (the “Subseries C-2 Bonds”); and

\$300,000,000 Future Tax Secured Taxable Subordinate Bonds, Fiscal 2019 Subseries C-3 (the “Subseries C-3 Bonds” and, together with the Subseries C-2 Bonds, the “Taxable Bonds”).

The Subseries C-1 Bonds and the Taxable Bonds, all of which will bear interest at fixed rates, are collectively referred to herein as the “Fixed Rate Bonds.”

The Fixed Rate Bonds are being issued as multi-modal bonds in the fixed rate mode. This Offering Circular does not describe terms specifically applicable to the Fixed Rate Bonds bearing interest at rates other than a fixed rate. See “SECTION IV: THE FIXED RATE BONDS—Multi-Modal Bonds in the Fixed Rate Mode.”

Simultaneously with the issuance of the Fixed Rate Bonds, the Authority expects to (i) issue its Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2019 Subseries C-4 in an aggregate principal amount of \$150,000,000 (collectively, the “Adjustable Rate Bonds”), and (ii) reoffer its Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2010 Series G, Subseries G-6 and Fiscal 2011 Series A, Subseries A-4 in an aggregate principal amount of \$200,000,000 (collectively, the “Reoffered Bonds”) as variable rate bonds. The Adjustable Rate Bonds will be offered, and the Reoffered Bonds will be reoffered, by a separate offering circular.

	<p>The Fixed Rate Bonds and the Adjustable Rate Bonds, along with other series of bonds secured by Tax Revenues, are referred to herein as “Future Tax Secured Bonds.” Future Tax Secured Bonds, together with all other series of bonds heretofore or hereafter issued under the Indenture, are referred to herein as the “Bonds.” The Fixed Rate Bonds will be issued as Parity Debt subordinate to Senior Debt Service and operating expenses of the Authority. The Fixed Rate Bonds will be issued on a parity with the Authority’s Recovery Obligations and other Subordinate Bonds issued on a parity with Recovery Obligations (together, “Parity Debt”). See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS.”</p>
The Offering .....	<p>The Subseries C-1 Bonds are being offered to the public, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters.</p> <p>The Taxable Bonds are being offered to the public when, as and if issued by the Authority, pursuant to a Notice of Sale, dated March 15, 2019, as supplemented.</p>
Trustee.....	<p>The Bank of New York Mellon, New York, New York, acts as the Authority’s trustee.</p>
Servicer.....	<p>The New York State Department of Taxation and Finance collects the Tax Revenues, which consist of Personal Income Tax Revenues and Sales Tax Revenues, each as defined herein, and reports the amount of such collections to the State Comptroller. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Servicing.”</p>
Disbursement Agent.....	<p>The State Comptroller holds Personal Income Tax Revenues in trust for the Authority and deposits such Tax Revenues with the Trustee for payment of Debt Service and other expenses of the Authority. Sales Tax collections are remitted to the State Comptroller who then transfers Sales Tax Revenues to the Authority, if and to the extent that Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of the maximum annual debt service on the Authority’s Outstanding Bonds, in such amount as is necessary to provide at least 150% of such maximum annual debt service on Outstanding Bonds. Such transfer of Sales Tax Revenues to the Authority has never been required to date. Payments of Personal Income Tax collections and Sales Tax collections to the Authority are not subject to City or State appropriation.</p>
Not Debt of State or City .....	<p>The Bonds are not a debt of either the State or The City of New York (the “City”), and neither the State nor the City shall be liable thereon. The Bonds are not payable out of any funds other than those of the Authority. Based on State and federal constitutional, statutory and case law and the terms of the Indenture and the Agreement (as defined herein), Co-Bond Counsel are of the opinion that the Authority is not eligible for protection from its creditors pursuant to Title 11 (the “Bankruptcy Code”) of the United States Code; and if the debts of the City were adjusted under the Bankruptcy Code and the City or its creditors were to assert a right to the Tax Revenues equal or prior to</p>

	<p>the rights of the Holders of Future Tax Secured Bonds, such assertion would not succeed.</p>
Purpose of Issue .....	<p>The proceeds of the Fixed Rate Bonds will be used to finance general City capital expenditures. Certain expenses of the Authority incurred in connection with the issuance of the Fixed Rate Bonds will be paid from the proceeds of the Fixed Rate Bonds.</p>
Tax Revenues.....	<p>The Fixed Rate Bonds are payable from the Tax Revenues, which consist of Personal Income Tax Revenues and Sales Tax Revenues. The Act provides that the Authority’s Tax Revenues are not funds of the City.</p> <p>The term “Personal Income Tax Revenues” means the collections from the Personal Income Tax less overpayments and State administrative costs. The term “Personal Income Tax” means the tax imposed by the City, as authorized by the State, on the income of City residents and, while applicable, on nonresident earnings in the City. Current tax law does not provide for Personal Income Tax on City nonresidents.</p> <p>Since the adoption of the Personal Income Tax in 1966, Personal Income Tax Revenues have risen from approximately \$130 million to approximately \$13.4 billion in fiscal year 2018. Personal Income Tax Revenues are projected to be approximately \$12.5 billion, \$13.0 billion, \$13.4 billion, \$13.8 billion and \$14.3 billion in fiscal years 2019 through 2023, respectively. Payment of Personal Income Tax Revenues to the Authority as required by the Act is not subject to State or City appropriation. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Personal Income Tax.”</p> <p>The term “Sales Tax Revenues” means the collections from the Sales Tax less (i) expenses of the New York State Financial Control Board and the Office of the State Deputy Comptroller (“State Oversight Retention Requirements”) and (ii) State administrative costs. The term “Sales Tax” means the sales and compensating use tax imposed by the City on the sale and use of tangible personal property and services in the City. Sales Tax is imposed by the City, as authorized by the State, on most categories of property and services at a rate of 4.5%. Sales Tax collections are not subject to City or State appropriation. Pursuant to the Act, Sales Tax Revenues will be available for the payment of the Future Tax Secured Bonds if Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of the maximum annual debt service on the Authority’s Outstanding Bonds. A transfer of Sales Tax Revenues to the Authority has never been required. Since the inception of the Sales Tax in fiscal year 1934, Sales Tax Revenues have increased to approximately \$7.5 billion in fiscal year 2018. Sales Tax Revenues are projected to be approximately \$7.8 billion, \$8.2 billion, \$8.5 billion, \$8.8 billion and \$9.0 billion in fiscal years 2019 through 2023, respectively. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Sales Tax.”</p>
Enabling Legislation.....	<p>The Act, which became effective March 5, 1997, provides for the issuance of (i) Bonds and Notes to finance and refinance general City capital purposes, (ii) Recovery Obligations (defined herein) to finance</p>

and refinance costs relating to the World Trade Center attack of 2001, and (iii) Building Aid Revenue Bonds (defined herein) to finance and refinance portions of the City’s educational facilities capital plan. The Act provides for the payment of such obligations from Revenues and the statutory and contractual covenants of the Authority, the City and the State. Future Tax Secured Bonds including Recovery Obligations are secured by Tax Revenues. Building Aid Revenue Bonds are not Future Tax Secured Bonds, are not secured by Tax Revenues and are secured by the payment of State Building Aid (defined herein) to the Authority.

The Act has been amended several times to increase the amount of debt the Authority is authorized to issue. The Act was last amended by Chapter 182 of the Laws of New York, 2009, which permits the Authority to have outstanding \$13.5 billion of Future Tax Secured Bonds (including Senior Bonds and Parity Debt but excluding Recovery Obligations). In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of January 31, 2019, the City’s and the Authority’s combined remaining debt-incurring power was approximately \$32.9 billion. The statutory debt limits are binding on the Authority but are not covenants with Bondholders and are subject to change by legislation adopted by the State.

The Authority’s contracts with its Bondholders, including limitations on Senior Bonds, coverage tests and other restrictions on the issuance of additional Bonds, are described herein and are set forth in the Indenture. Those contracts can be changed only in accordance with the provisions of the Indenture relating to amendments thereto. See “—Additional Authority Indebtedness,” “SECTION V: THE AUTHORITY—Other Authority Obligations” and “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.” For information relating to anticipated issuance of Future Tax Secured Bonds, see “SECTION V: THE AUTHORITY—Plan of Finance.”

Additional Authority Indebtedness.....

The Indenture provides that Bonds and Notes of the Authority may be issued only: (i) as Senior Bonds (or Notes in anticipation thereof) to pay or reimburse Project Capital Costs, or refund or renew such Bonds or Notes, but not to exceed \$12 billion in Outstanding principal amount and subject to a \$330 million limit on Quarterly Debt Service to be payable; or (ii) as Subordinate Bonds (or Notes in anticipation thereof), with Rating Confirmation; but no Series of Senior Bonds shall be authenticated and delivered without Rating Confirmation unless the amount of collections of Tax Revenues for the twelve consecutive calendar months ended not more than two months prior to the date of issuance less the aggregate amount of operating expenses of the Authority for the current fiscal year is at least three times the amount of annual Senior Debt Service, including debt service on such Series of Bonds proposed to be issued, for each fiscal year such bonds will be Outstanding. See “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”

Parity Debt or Notes in anticipation thereof (which are subordinate to Senior Bonds and Notes) may be issued, provided that collections of

Tax Revenues for the most recent fiscal year ended at least two months prior to the date of such issuance are, for each fiscal year during which such proposed Parity Debt is to be outstanding, at least three times the sum of \$1.32 billion (Covenanted Maximum Annual Debt Service for Senior Bonds) and annual debt service on Outstanding Parity Debt, together with the Series proposed to be issued. See “SECTION V: THE AUTHORITY—Other Authority Obligations.”

Outstanding Authority Indebtedness .....

The Authority has Outstanding \$37,021,145,000 of Future Tax Secured Bonds consisting of \$703,190,000 of Senior Bonds and \$36,317,955,000 of Parity Debt (including \$558,450,000 of Recovery Obligations), which are the only Subordinate Bonds payable from the Tax Revenues. Of such Senior Bonds, \$699,800,000 are variable rate bonds. Of such Parity Debt, \$3,593,900,000 are variable rate bonds. The Authority expects to issue additional Future Tax Secured Bonds, including Senior Bonds and Parity Debt, from time to time for general City purposes and for refunding purposes. For information relating to anticipated issuance of Future Tax Secured Bonds, see “SECTION V: THE AUTHORITY—Plan of Finance.” The Authority has Outstanding \$8,111,130,000 of Building Aid Revenue Bonds and expects to issue additional Building Aid Revenue Bonds in the future. All of the Building Aid Revenue Bonds are fixed rate bonds. Currently, the Authority has no Senior Agreements. See “SECTION V: THE AUTHORITY—Other Authority Obligations” and “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”

State and City Covenants.....

The Act and the Indenture contain the covenant of the State with the Bondholders (the “State Covenant”) that the State shall not limit or alter the rights vested in the Authority by the Act to fulfill the terms of the Indenture, or in any way impair the rights and remedies of such holders or the security for the Bonds until such Bonds, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged. The State Covenant does not restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Tax, but such taxes payable to the Authority will in all events continue to be so payable so long as any such taxes are imposed.

The Act and the Indenture also contain the covenant of the State that in the event Personal Income Tax Revenues payable to the Authority during any fiscal year are projected by the Mayor of the City to be insufficient to provide at least 150% of maximum annual debt service on Outstanding Bonds, the State Comptroller shall pay to the Authority from Sales Tax Revenues such amount as is necessary to provide at least 150% of such maximum annual debt service on Outstanding Bonds. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Sales Tax.” The State is not obligated to make any additional payments or impose any taxes to satisfy the debt service obligations of the Authority.

In accordance with the Act, the City has pledged and agreed with the holders of the Bonds (the “City Covenant”) that the City will not limit or alter the rights vested by the Act in the Authority to fulfill the terms



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

For more information regarding the State and City Covenants, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Agreements of the State and the City.”

Interest and Principal.....

Interest on the Fixed Rate Bonds will accrue from their dated date at the rates set forth on the inside cover pages hereof and will be payable semiannually on May 1 and November 1 of each year, commencing November 1, 2019. The record date for payment of interest on the Fixed Rate Bonds is the fifteenth day of the calendar month immediately preceding the interest payment date.

Principal of the Fixed Rate Bonds will be due as shown on the inside cover pages and herein.

Principal of and interest on the Fixed Rate Bonds will be paid from Tax Revenues on deposit in the Recovery and Parity Debt Account or Redemption Account, if applicable. Tax Revenues shall be deposited into the Recovery and Parity Debt Account in accordance with the retention schedule as described in “Retention Procedures” below.

Mandatory Redemption of Subseries C-1 Term Bonds .....

The Subseries C-1 Bonds maturing on November 1, 2042 are term bonds subject to mandatory redemption prior to maturity as described herein. See “SECTION IV: THE FIXED RATE BONDS—Mandatory Redemption of Subseries C-1 Term Bonds.”

Optional Redemption or Mandatory Tender of Subseries C-1 Bonds.....

The Subseries C-1 Bonds maturing on or before November 1, 2028 are not subject to optional redemption or mandatory tender prior to their stated maturity dates.

The Subseries C-1 Bonds maturing after November 1, 2028 are subject to optional redemption at par or mandatory tender at par at the option of the Authority, prior to their stated maturity dates, in whole or in part, on any date on or after May 1, 2029, as described herein. See “SECTION IV: THE FIXED RATE BONDS—Optional Redemption or Mandatory Tender of Subseries C-1 Bonds.”

Optional Redemption or Mandatory Tender of Subseries C-2 Bonds.....	The Subseries C-2 Bonds are subject to make-whole optional redemption or mandatory tender 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 FIXED RATE BONDS—Optional Redemption or Mandatory Tender of Subseries C-2 Bonds.”
Optional Redemption or Mandatory Tender of Subseries C-3 Bonds.....	<p>The Subseries C-3 Bonds are subject to optional redemption at par or mandatory tender at par at the option of the Authority, prior to their stated maturity dates, in whole or in part, on any date on or after May 1, 2029, as described herein.</p> <p>The Subseries C-3 Bonds are subject to make-whole optional redemption or mandatory tender 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 FIXED RATE BONDS—Optional Redemption or Mandatory Tender of Subseries C-3 Bonds.”</p>
Form and Denomination .....	<p>The Fixed Rate Bonds will be issued only in fully registered form registered in the name of Cede &amp; Co. as nominee of The Depository Trust Company (“DTC”). See “SECTION IV: THE FIXED RATE BONDS—Book-Entry Only System” and “—Global Clearance Procedures.”</p> <p>The Fixed Rate Bonds will be denominated in principal amounts of \$5,000 and integral multiples thereof.</p>
Indenture.....	The Indenture provides for the issuance of the Bonds and Notes pursuant to the Act, including the Authority’s pledge to the Trustee of the revenues, accounts and statutory and contractual covenants contained therein. The Trustee is authorized to enforce the Indenture and such covenants against the Authority, the City and the State. See “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”
Financing Agreement .....	The Financing Agreement, dated October 1, 1997, as amended and supplemented, between the Authority and the City (the “Agreement”), provides for the application of proceeds of the Authority’s Bonds and Notes to fund capital expenditures of the City and Recovery Costs and to refund the Authority’s Bonds and includes covenants of the City and the City’s agreement to hold the Authority harmless against claims related to the Projects.
Collection Account.....	<p>The State Comptroller is required by the Act, commencing on or before the fifteenth day of each month, to pay the Personal Income Tax Revenues on a daily basis directly to the Trustee for application in accordance with the Indenture. While the State Comptroller is required by statute to transfer the Personal Income Tax Revenues on or prior to the fifteenth day of each month, current practice of the State Comptroller is to transfer such funds commencing on the first day of each month. See “Application of Tax Revenues” below. All Tax Revenues received by the Authority shall be promptly deposited into</p>

	the Tax Revenue Subaccount of the Collection Account.
Bond Account .....	The Bond Account is held by the Trustee in accordance with the terms of the Indenture. The Trustee shall deposit amounts from the Tax Revenue Subaccount of the Collection Account into the Bond Account in accordance with the Retention Procedures described below for the payment of Senior Debt Service.
Recovery and Parity Debt Account .....	The Recovery and Parity Debt Account is held by the Trustee in accordance with the terms of the Indenture. Following required deposits to the Bond Account for Senior Debt Service and payment of Authority operating expenses in accordance with the terms of the Indenture, the Trustee shall transfer all Tax Revenues to the Recovery and Parity Debt Account in accordance with the Retention Procedures described below for the payment of debt service on Recovery Obligations and other Parity Debt including, among other obligations, the Fixed Rate Bonds.
Application of Tax Revenues.....	All Tax Revenues in the Tax Revenue Subaccount of the Collection Account shall be applied upon receipt by the Trustee in the following order of priority: <u>first</u> , to the Bond Account to pay Senior Debt Service in accordance with the Retention Procedures described in the paragraph below; <u>second</u> , to the Authority's operating expenses, including deposits to the Redemption Account for optional redemption, and any reserves held by the Authority for payment of operating expenses; <u>third</u> , pursuant to Supplemental Indentures, to the Recovery and Parity Debt Account or otherwise for the benefit of holders of Parity Debt (including Bondholders of the Fixed Rate Bonds) and parties to ancillary and swap contracts, to the extent such Supplemental Indentures may require application of Tax Revenues to pay items after payments of Senior Debt Service and operating expenses; <u>fourth</u> , pursuant to each Officer's Certificate making reference to this level of priority in accordance with the Indenture; and <u>fifth</u> , to the City as soon as available but not later than the last day of each month, excess Tax Revenues, free and clear of the lien of the Indenture.
Retention Procedures.....	On the first business day of each Collection Quarter, which commences on the first day of each August, November, February and May, the Trustee shall begin to transfer all Tax Revenues from the Tax Revenue Subaccount of the Collection Account in proportion to the unfunded balance of the Bond Account in an amount equal to one-half of the Senior Debt Service payable from the Bond Account due in the three-month period following the Collection Quarter (each such period, a "Payment Period," and the total amount due in each Payment Period is the "Quarterly Payment Requirement") until the Quarterly Payment Requirement is held in the Bond Account. After retention for Debt Service in the manner described above and payment of Authority operating expenses, at the beginning of each Collection Quarter, the Trustee shall begin to transfer all Tax Revenues in proportion to the unfunded balance with respect to each subaccount of the Recovery and Parity Debt Account, equal to one-half of Quarterly Subordinate Debt Service payable in the following Payment Period from the Recovery and Parity Debt Account until the full amount of Quarterly Subordinate Debt Service for the following Payment Period is held in

each subaccount of the Recovery and Parity Debt Account. The foregoing payments shall be cumulative so that any shortage in the first month of a Collection Quarter will become part of the funding obligation in the second month of the Collection Quarter and, if necessary, the third month of the Collection Quarter. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE FUTURE TAX SECURED BONDS—Retention Procedures.”

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

Defeasance..... The Authority will have the ability to defease any Bonds under the Indenture by depositing Defeasance Collateral with a trustee to provide for payment of principal, interest and premium, if any, thereon. See “SECTION IV: THE FIXED RATE BONDS—Defeasance.”

Tax Matters..... In the opinion of Norton Rose Fulbright US LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel to the Authority (“Co-Bond Counsel”), interest on the Fixed Rate Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City; and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Subseries C-1 Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes. Interest on the Taxable Bonds will be includable in gross income of the owners thereof for federal income tax purposes. See “SECTION VII: TAX MATTERS.”

Ratings..... The Fixed Rate Bonds are rated “AAA” by S&P Global Ratings (“S&P”), “Aa1” by Moody’s Investors Service Inc. (“Moody’s”) and “AAA” by Fitch Ratings (“Fitch”).

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## SECTION I: INTRODUCTION

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

\$850,000,000 Future Tax Secured Tax-Exempt Subordinate Bonds, Fiscal 2019 Subseries C-1 (the “Subseries C-1 Bonds”);

\$300,000,000 Future Tax Secured Taxable Subordinate Bonds, Fiscal 2019 Subseries C-2 (the “Subseries C-2 Bonds”); and

\$300,000,000 Future Tax Secured Taxable Subordinate Bonds, Fiscal 2019 Subseries C-3 (the “Subseries C-3 Bonds” and, together with the Subseries C-2 Bonds, the “Taxable Bonds”).

The Subseries C-1 Bonds and the Taxable Bonds, all of which will bear interest at fixed rates, are collectively referred to herein as the “Fixed Rate Bonds.”

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

Simultaneously with the issuance of the Fixed Rate Bonds, the Authority expects to (i) issue its Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2019 Subseries C-4 in an aggregate principal amount of \$150,000,000 (the “Adjustable Rate Bonds”), and (ii) reoffer its Future Tax Secured Tax-Exempt Subordinate Bonds (Adjustable Rate Bonds), Fiscal 2010 Series G, Subseries G-6 and Fiscal 2011 Series A, Subseries A-4 in an aggregate principal amount of \$200,000,000 (collectively, the “Reoffered Bonds”) as variable rate bonds. The Adjustable Rate Bonds will be offered, and the Reoffered Bonds will be reoffered, by a separate offering circular.

The Fixed Rate Bonds and the Adjustable Rate Bonds, along with other series of bonds secured by Tax Revenues, are referred to herein as “Future Tax Secured Bonds.” Future Tax Secured Bonds, together with all other series of bonds heretofore or hereafter issued under the Indenture (defined herein), are collectively referred to as the “Bonds.” The Fixed Rate Bonds will be issued as Parity Debt subordinate to Senior Debt Service and operating expenses of the Authority. The Fixed Rate Bonds will be issued on a parity with the Authority’s Recovery Obligations and other Subordinate Bonds issued on a parity with Recovery Obligations (together, “Parity Debt”). Interest on and principal of the Fixed Rate Bonds are payable solely from Tax Revenues.

The Authority is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the “State”) created by the New York City Transitional Finance Authority Act, as amended (the “Act”). The Authority was created to provide for the issuance of debt to fund a portion of the capital program of The City of New York (the “City”). The Act was amended in 2001 to permit the issuance of Future Tax Secured Bonds and Notes (“Recovery Obligations”) to pay costs relating to or arising from the September 11 attack on the World Trade Center (“Recovery Costs”). In 2006, the Act was amended pursuant to Part A-3 of Chapter 58 of the Laws of New York, 2006 (the “School Financing Act”) which authorizes the Authority to issue Bonds to finance a portion of the City’s educational facilities capital plan (“Building Aid Revenue Bonds”) and authorizes the City to assign to the Authority all or any portion of the State aid payable to the City or its school district pursuant to subdivision 6 of Section 3602 of the State Education Law, or any successor provision of State Law (“State Building Aid”). Building Aid Revenue Bonds are not secured by Tax Revenues described below.

The Fixed Rate Bonds are being issued pursuant to the Act and the Amended and Restated Original Indenture, as restated December 1, 2010, as supplemented (the “Indenture”), by and between the Authority and The Bank of New York Mellon, New York, New York, as Trustee (the “Trustee”). The Authority and the City entered into a Financing Agreement (the “Agreement”), dated October 1, 1997, as amended, supplemented and in effect from time to time, which provides for the application of the Authority’s Bond proceeds to fund capital expenditures of the City and Recovery Costs and includes various covenants of the City.

The factors affecting the Authority and the Fixed Rate Bonds described throughout this Offering Circular are complex and are not intended to be described in this Introduction. This Offering Circular should be read in its entirety. A summary of certain provisions of the Indenture and the Agreement, together with certain defined terms used therein and in this Offering Circular, is contained in “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”

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

### **General**

The Fixed Rate Bonds are to be issued as Parity Debt. Interest on and principal of the Fixed Rate Bonds are payable from Tax Revenues, subordinate to payment of Senior Debt Service, including principal and interest on Senior Bonds Outstanding and to be issued and operating expenses of the Authority. See “—Application of Tax Revenues” herein.

The Act authorizes the Authority to issue debt and secure the repayment of such debt with a pledge of the Authority’s right, title and interest in the Revenues of the Authority, which are required by the Act to be paid to the Authority. The majority of the Authority’s Revenues are derived from the amounts payable to it from the Tax Revenues which are the only source of payment pledged to the holders of the Fixed Rate Bonds. See “—Tax Revenues” herein. Pursuant to the Act and the Indenture, the Authority has pledged the Tax Revenues to the Trustee for payment of the principal of and the interest on the Fixed Rate Bonds on a subordinate basis. The Act provides that the Authority’s pledge of its Tax Revenues represents a perfected security interest on behalf of the holders of the Future Tax Secured Bonds.

There are no significant assets or sources of funds available to pay the Fixed Rate Bonds other than the Tax Revenues. The Fixed Rate Bonds will not be guaranteed by the City or the State. Consequently, the holders of the Fixed Rate Bonds must rely for repayment solely upon collection of the Tax Revenues and certain accounts held by the Trustee pursuant to the Indenture.

The Authority also derives Revenues from State Building Aid, and federal subsidies with respect to Build America Bonds and Qualified School Construction Bonds under the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”), but such Revenues are not pledged to the Holders of the Fixed Rate Bonds or reflected in the calculation of debt service coverage in the tables in this Offering Circular. For a description of the application of such federal subsidies under the Indenture, see “APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT.”

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

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

### **Tax Revenues**

The Fixed Rate Bonds are payable from the Tax Revenues on a subordinate basis as described above. Personal Income Tax Revenues are the revenues collected from the Personal Income Tax less overpayments and costs of administration. The Personal Income Tax is the tax imposed by the City as authorized by the State on the income of City residents and, while applicable, on nonresident earnings in the City as described below. Current tax law does not provide for Personal Income Tax on City nonresidents. Sales Tax Revenues are the revenues collected from the Sales Tax less (i) administrative expenses of the New York State Financial Control Board and the Office of the State Deputy Comptroller (the “State Oversight Retention Requirements”), and (ii) State administrative costs.

The Sales Tax is the tax imposed by the City, as authorized by the State, on the sale and use of tangible personal property and services in the City. Pursuant to the Act, Sales Tax Revenues will be available for the payment of Future Tax Secured Bonds if Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of the maximum annual debt service on the Authority's Outstanding Bonds. A transfer of Sales Tax Revenues to the Authority has never been required. For a description of the Personal Income Tax Revenues and the Sales Tax Revenues, including assumptions relating thereto and the expiration and reduction of certain portions thereof, see “—Personal Income Tax” and “—Sales Tax” below. For a description of the servicing and application of the Statutory Revenues, see “—Servicing” and “—Application of Revenues” below.

Historical collections of Tax Revenues for fiscal years 2004 through 2018 and forecasted collections of Tax Revenues for fiscal years 2019 through 2023 are shown in the following table. Forecasted collections of Tax Revenues included in this Offering Circular are as forecasted by the New York City Office of Management and Budget (“NYC OMB”) as set forth in the City Financial Plan, as modified on February 7, 2019 (the “Financial Plan”).

### HISTORICAL AND FORECASTED AMOUNTS OF TAX REVENUES

<b>Fiscal Year</b>	<b>Tax Revenues (millions)</b>	<b>Fiscal Year</b>	<b>Tax Revenues (millions)</b>
2004 .....	\$ 9,037	2014 .....	\$15,999
2005 .....	10,873	2015 .....	17,379
2006 .....	11,756	2016 .....	18,081
2007 .....	12,385	2017 .....	18,097
2008 .....	13,696	2018 .....	20,893
2009 .....	11,431	2019 <sup>(1)</sup> .....	20,303
2010 .....	11,808	2020 <sup>(1)</sup> .....	21,233
2011 .....	13,217	2021 <sup>(1)</sup> .....	21,817
2012 .....	13,839	2022 <sup>(1)</sup> .....	22,543
2013 .....	15,365	2023 <sup>(1)</sup> .....	23,300

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

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

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

## Debt Service Coverage

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

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

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

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

<b>Fiscal Year</b>	<b>Tax Revenues (millions)<sup>(1)</sup></b>	<b>Coverage<sup>(2)</sup></b>
2007.....	\$12,385	13.80x
2008.....	13,696	12.45
2009.....	11,431	10.92
2010.....	11,808	9.69
2011.....	13,217	12.40
2012.....	13,839	9.22
2013.....	15,365	9.10
2014.....	15,999	9.70
2015.....	17,379	8.62
2016.....	18,081	9.54
2017.....	18,097	8.82
2018.....	20,893	8.50

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

<sup>(2)</sup> Coverage is based on total Tax Revenues received in the fiscal year indicated divided by Tax Revenues required to be retained by the Authority in such year for debt service, calculated without giving effect to prepayments of Authority debt or debt service with moneys other than Tax Revenues.



The following table shows projected debt service coverage on Future Tax Secured Bonds in fiscal years 2019 through 2023.

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

<b>Fiscal Year</b>	<b>Tax Revenues (millions)<sup>(1)</sup></b>	<b>Debt Service (millions)<sup>(2)</sup></b>	<b>Coverage</b>
2019.....	\$20,303	\$3,064	6.63x
2020.....	21,233	3,338	6.36
2021.....	21,817	3,578	6.10
2022.....	22,543	3,903	5.78
2023.....	23,300	4,231	5.51

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

<sup>(2)</sup> Figures are calculated based on Outstanding bonds, projected debt service on the Fixed Rate Bonds, the Adjustable Rate Bonds and bonds projected to be issued as described under “SECTION V: THE AUTHORITY—Plan of Finance” assuming interest rates of 4.25% on Outstanding tax-exempt variable rate bonds and 6% on all bonds projected to be issued through 2023. Projections do not reflect the federal subsidy on Build America Bonds and Qualified School Construction Bonds. Projections are based on amounts of Tax Revenues to be retained by the Authority and are calculated without giving effect to prepayments of Authority debt or debt service with moneys other than Tax Revenues.

**Servicing**

*Personal Income Tax Collection*

The New York State Department of Taxation and Finance collects the Personal Income Tax from employers and individual taxpayers and reports the amount of such funds to the State Comptroller, who holds such collections net of overpayments by taxpayers and administrative costs in trust for the Authority. The amount of overpayments and administrative costs paid by the State Comptroller out of gross Personal Income Tax collections has averaged 11.4% of the annual collections for fiscal years 2013 through 2018. The State Comptroller is required by the Act, commencing on or before the fifteenth day of each month, to pay the Personal Income Tax Revenues on a daily basis directly to the Trustee for application in accordance with the Indenture. While the State Comptroller is required by statute to transfer the Personal Income Tax Revenues on or prior to the fifteenth day of each month, the usual practice of the State Comptroller is to transfer such funds commencing on the first day of each month. For more information regarding the application of Statutory Revenues upon receipt by the Trustee, see “—Application of Tax Revenues” herein. Payments of the Personal Income Tax Revenues by the State Comptroller to the Authority are not subject to State or City appropriation.

*Sales Tax Collection*

Sales Tax is collected by vendors and service providers in the City and remitted to the New York State Department of Taxation and Finance monthly, quarterly or annually based on the volume of sales. The New York State Department of Taxation and Finance reports the amounts of such collections to the State Comptroller. Payment of Sales Tax collections by the State Comptroller to the Authority is not subject to City or State appropriation. In the event the Mayor of the City certifies to the State Comptroller that Personal Income Tax Revenues are projected to be insufficient to provide at least 150% of maximum annual debt service on Outstanding Bonds, the Act requires the State Comptroller to pay to the Authority from Sales Tax collections available after payments of State Oversight Retention Requirements and the deduction of State administrative costs, an amount necessary to provide at least 150% of maximum annual debt service on the Authority’s Outstanding Bonds. A transfer of Sales Tax Revenues to the Authority has never been required to date. In the event Personal Income Tax Revenues are projected to provide coverage of at least 150% of maximum annual debt service on the Outstanding Bonds, no Sales Tax Revenues will be paid by the State Comptroller to the Authority. See “—Agreements of the State and the City” below. The Authority has instructed the State Comptroller to pay Sales Tax Revenues directly to the Trustee, if required, for

application in accordance with the Indenture. For more information regarding the application of Statutory Revenues upon receipt by the Trustee, see “—Application of Tax Revenues” below.

## **Personal Income Tax**

For purposes of this Offering Circular the term “Personal Income Tax” means the tax imposed by the City as authorized by the State on the income of City residents and, while applicable, on nonresident earnings in the City. Current tax law does not provide for Personal Income Tax on City nonresidents. Personal Income Tax collections, net of overpayments and administrative costs required to be paid, are referred to herein as “Personal Income Tax Revenues” and are Revenues of the Authority when they are paid or payable to the Trustee.

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

In the past, various components of the Personal Income Tax have changed. Currently, the Personal Income Tax is imposed on City residents according to a schedule of rates (the “Base Rate”) and is subject to an additional 14% surcharge (the “14% Surcharge”) with a resulting maximum rate of 3.876%. The Base Rate and the 14% Surcharge are scheduled to expire on January 1, 2021. At such time, unless legislation is passed that extends the Base Rate and the 14% Surcharge, a lower rate schedule (the “Reduced Base Rate”) with a maximum rate of 1.48% is to become effective. The Base Rate, which was implemented in 1989 has, since such time, been scheduled to decline to the Reduced Base Rate on several occasions but such scheduled reductions did not occur because the Base Rate was extended. The most recent such extension occurred in June 2017.

The forecasts of Personal Income Tax Revenues contained herein assume the extension of the 14% Surcharge and the Base Rate after 2020. If the 14% Surcharge is not extended prior to its expiration, Personal Income Tax Revenues (and Tax Revenues) will be reduced by an estimated \$817.0 million in fiscal year 2021. In the event that both the Base Rate and the 14% Surcharge were not extended prior to their expiration and the Reduced Base Rate became effective, Personal Income Tax Revenues (and Tax Revenues) would be reduced by an estimated \$4.1 billion in fiscal year 2021 and \$8.5 billion in fiscal year 2022. In such event, Tax Revenues would be projected to exceed annual debt service on Outstanding Senior Bonds and Parity Debt by an estimated \$14.3 billion in fiscal year 2021 and by an estimated \$10.2 billion in fiscal year 2022.

Although the Financial Plan reflects the projected direct impact to City tax revenues of the Federal Tax Cuts and Jobs Act of 2017 (“TCJA”) which, among other provisions, lowered corporate and personal income tax rates and limited the deductibility of state and local taxes and mortgage interest, it does not reflect the indirect impacts of the TCJA. Such indirect impacts include the effect of State legislation which, among other things, increases the opportunities for charitable contributions, and provides an option to employers to shift to an employer compensation tax and reduce State personal income taxes, the effect of which is uncertain at this time. In addition, local legislation has been introduced in the City Council that would establish a City-operated charity to which taxpayers could contribute in exchange for a credit against property taxes, with the intent of permitting those taxpayers to deduct those contributions from federal income tax. Money received by the charity would be used for City operations. The State has passed legislation permitting municipalities to create charitable funds allowing a local property tax credit of 95% of the contribution. The Internal Revenue Service has issued proposed rules that would make such credits ineligible for federal tax deductions in most cases.

Personal Income Tax Revenues were approximately \$130 million in fiscal year 1967. The following table shows Personal Income Tax Revenues for fiscal years 2004 through 2018 and forecasted Personal Income Tax Revenues for fiscal years 2019 through 2023.

## HISTORICAL AND FORECASTED PERSONAL INCOME TAX REVENUES

<u>Fiscal Year</u>	<b>Personal Income Tax Revenues (millions)</b>	<u>Fiscal Year</u>	<b>Personal Income Tax Revenues (millions)</b>
2004 .....	\$5,552	2014 .....	\$ 9,539
2005 .....	6,503	2015 .....	10,643
2006 .....	7,329	2016 .....	10,785
2007 .....	7,758	2017 .....	11,084
2008 .....	8,810	2018 .....	13,435
2009 .....	6,685	2019 <sup>(1)</sup> .....	12,474
2010 .....	6,867	2020 <sup>(1)</sup> .....	13,040
2011 .....	7,626	2021 <sup>(1)</sup> .....	13,354
2012 .....	7,994	2022 <sup>(1)</sup> .....	13,779
2013 .....	9,226	2023 <sup>(1)</sup> .....	14,254

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

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

For fiscal years 2008 through 2018, an average of 75.2% of Personal Income Tax Revenues was collected through mandatory withholding by employers as a percentage of wage income paid to employees. For fiscal year 2018, \$9.4 billion of the Personal Income Tax Revenues was collected through withholding. State law requires most employers to remit to the New York State Department of Taxation and Finance amounts withheld from income paid to employees within three business days of such payments. For fiscal years 2008 through 2018, approximately 18.9% of Personal Income Tax Revenues was collected from taxpayers through quarterly installment payments on non-wage income and self-employment earnings, and approximately 5.9% of Personal Income Tax Revenues was collected from taxpayers following the end of each calendar year based on the filing of final tax returns.

### Sales Tax

For purposes of this Offering Circular, the term “Sales Tax” means the tax on the sale and use of tangible personal property and services in the City imposed by the City. Sales Tax Revenues do not include that portion of the Sales Tax collections required for the State Oversight Retention Requirements or for State administrative costs. Sales Tax Revenues payable by the State Comptroller to the Authority are not subject to City or State appropriation. The Sales Tax is levied on a variety of economic activities including retail sales, utility and communication sales, services and manufacturing at a rate of 4.5%. In addition, the Sales Tax includes a 6.0% tax on receipts from parking, garaging or storing motor vehicles in the City.

*Sales Tax Revenues*

The table below shows historical Sales Tax Revenues for fiscal years 2004 through 2018 and forecasted Sales Tax Revenues for fiscal years 2019 through 2023.

**HISTORICAL AND FORECASTED SALES TAX REVENUES**

<b>Fiscal Year</b>	<b>Sales Tax Revenues (millions)</b>	<b>Fiscal Year</b>	<b>Sales Tax Revenues (millions)</b>
2004.....	\$3,485	2014.....	\$6,460
2005.....	4,370	2015.....	6,736
2006.....	4,427	2016 <sup>(1)</sup> .....	7,296
2007.....	4,627	2017.....	7,013
2008.....	4,886	2018.....	7,457
2009.....	4,746	2019 <sup>(2)</sup> .....	7,829
2010.....	4,940	2020 <sup>(2)</sup> .....	8,193
2011.....	5,591	2021 <sup>(2)</sup> .....	8,463
2012.....	5,845	2022 <sup>(2)</sup> .....	8,764
2013.....	6,139	2023 <sup>(2)</sup> .....	9,046

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

- <sup>(1)</sup> Reflects higher than usual audit collection of \$239 million.
- <sup>(2)</sup> Forecast.

**Application of Tax Revenues**

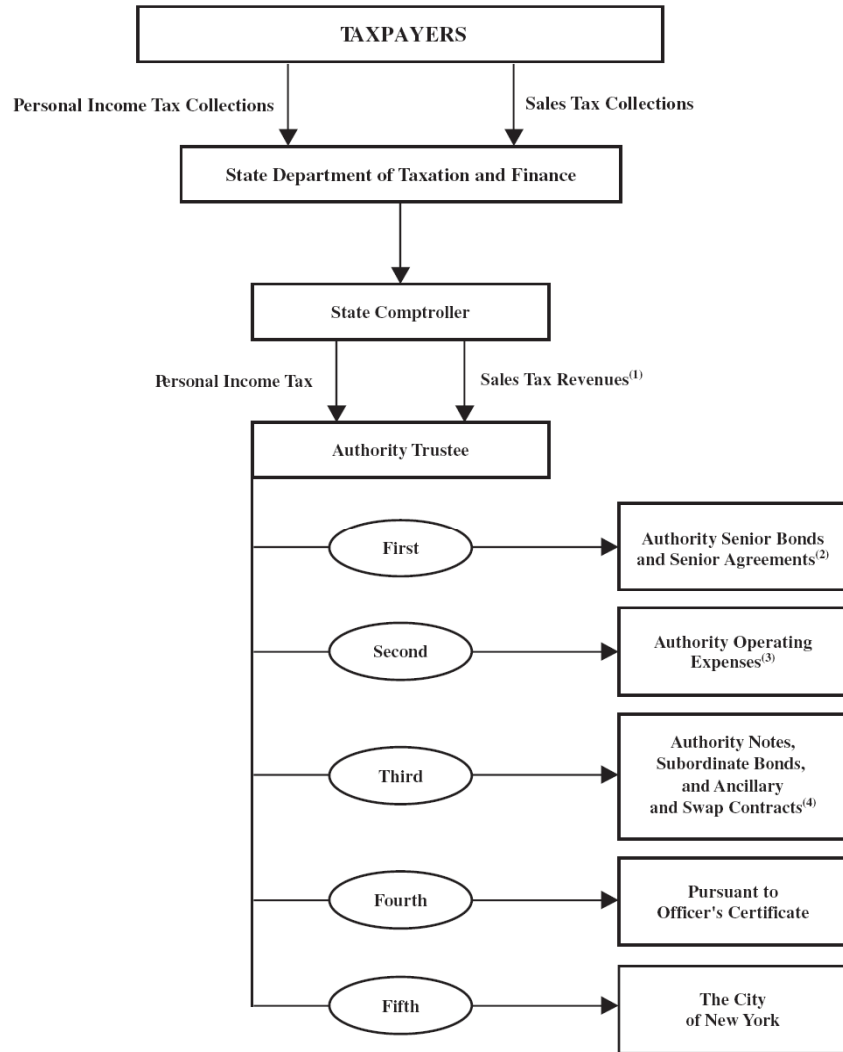
Upon receipt of (i) Personal Income Tax Revenues and (ii) Sales Tax Revenues, if any are required to be paid to the Authority, the Trustee must deposit such amounts into the Collection Account held by the Trustee within which there is created a Tax Revenue Subaccount and a Building Aid Subaccount. Any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

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

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

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

**SUMMARY OF COLLECTION AND APPLICATION OF TAX REVENUES**



- (1) Sales Tax Revenues are available to the Authority only in the event that projected Personal Income Tax Revenues are less than 150% of maximum annual debt service on Outstanding Bonds of the Authority. For further information, see “—Sales Tax.”
- (2) Tax Revenues will be retained by the Trustee for the payment of Senior Debt Service, in accordance with the Retention Procedures detailed below.
- (3) After Tax Revenues are retained by the Trustee for the payment of Senior Debt Service, such Tax Revenues are paid to the Authority for its operating expenses.
- (4) After payment of Authority operating expenses, Tax Revenues are applied for the benefit of Noteholders (for interest only), Subordinate Bondholders and parties to ancillary and swap contracts.

## **Retention Procedures**

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

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

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

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

## **Agreements of the State and the City**

In the Act, the State pledges and agrees with the holders of the Bonds that the State will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with such holders pursuant to the Act, or in any way impair the rights and remedies of such holders or the security for the Bonds until the Bonds are fully paid and discharged. The Act provides that nothing therein restricts the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Tax, but such taxes payable to the Authority shall in all events continue to be so payable so long as any such taxes are imposed.

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

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

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

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

## **SECTION III: ECONOMIC AND DEMOGRAPHIC INFORMATION**

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

### **New York City Economy**

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

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

Economic activity in the City has experienced periods of growth and recession and can be expected to experience periods of growth and recession in the future. The City experienced a recession in the early 1970s through the middle of that decade, followed by a period of expansion in the late 1970s through the late 1980s. The City fell into recession again in the early 1990s, which was followed by an expansion that lasted until 2001. The economic slowdown that began in 2001 as a result of the September 11 attack, a national economic recession, and a downturn in the securities industry came to an end in 2003. Subsequently, Wall Street activity, tourism, and the real estate market drove a broad-based economic recovery until the second half of 2007. A decrease in economic activity began in the second half of 2007 and continued through the first half of 2010. The Financial Plan assumes that the gradual increase in economic activity that began in the second half of 2010 will continue through the Financial Plan period.

The United States Department of Commerce Bureau of Economic Analysis produces measures of Gross Domestic Product (“GDP”) by metropolitan area. The New York metropolitan area – defined geographically as New York City; Long Island; the Lower Hudson Valley, New York; parts of Northern and Central New Jersey and Pike County Pennsylvania – is the largest metropolitan economy in the United States.

	TOP TEN GDP BY METROPOLITAN AREA					GDP
	(millions of current dollars)					PER CAPITA
	2013	2014	2015	2016	2017*	(2009 Dollars) 2017*
United States (metropolitan areas).....	<b>\$14,966,839</b>	<b>\$15,628,087</b>	<b>\$16,358,498</b>	<b>\$16,857,169</b>	<b>\$17,547,902</b>	<b>\$54,410</b>
New York-Newark-Jersey City, NY-NJ-PA.....	1,477,043	1,542,763	1,618,366	1,662,671	1,717,712	71,084
Los Angeles-Long Beach-Anaheim, CA .....	852,034	901,980	967,100	996,432	1,043,735	67,763
Chicago-Naperville-Elgin, IL-IN-WI .....	585,948	608,805	639,033	657,589	679,699	61,170
Dallas-Fort Worth-Arlington, TX .....	448,178	475,929	491,879	503,667	535,499	64,824
Washington-Arlington-Alexandria, DC-VA-MD-WV ....	459,268	471,254	491,779	509,599	529,990	74,000
San Francisco-Oakland-Hayward, CA.....	385,451	413,026	445,124	475,417	500,710	89,978
Houston-The Woodlands-Sugar Land, TX .....	488,430	507,183	494,837	472,331	490,074	63,311
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD .....	389,787	400,621	418,605	431,384	444,975	63,519
Boston-Cambridge-Newton, MA-NH.....	364,804	380,769	407,675	419,783	438,684	78,465
Atlanta-Sandy Springs-Roswell, GA .....	307,750	326,502	347,604	369,806	385,542	56,840

Source: U.S. Bureau of Economic Analysis

\* Advance statistics



## Personal Income

From 2007 through 2017 (the most recent year for which City personal income data are available), total personal income unadjusted for the effects of inflation, grew at a compounded annual average rate of 4.0% and 3.4% for the City and the nation, respectively. The City's total personal income per capita grew at a compounded annual average rate of 3.2% per year for the same period. In 2017, total personal income per capita in the City exceeded that of the U.S. by 37%. The following table sets forth information regarding personal income in the City from 2007 to 2017.

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

<u>Year</u>	<u>Total City Personal Income (billions)</u>	<u>City Per Capita Personal Income</u>	<u>U.S. Per Capita Personal Income</u>	<u>City Per Capita Personal Income as a Percent of U.S.</u>
2007 .....	\$413.8	\$51,642	\$39,844	130%
2008 .....	413.6	51,263	40,904	125
2009 .....	406.9	50,044	39,284	127
2010 .....	428.3	52,273	40,545	129
2011 .....	460.0	55,468	42,727	130
2012 .....	484.0	57,735	44,582	130
2013 .....	498.8	58,966	44,826	132
2014 .....	524.0	61,498	47,025	131
2015 .....	547.7	63,815	48,940	130
2016 .....	571.1	66,283	49,831	133
2017 .....	611.2	70,879	51,640	137

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

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

## Employment

The City is a leading center for the banking and securities industry, education, healthcare, life insurance, communications, publishing, fashion design, and retail fields. Over the past two decades, the City has experienced a number of business cycles. From 1992 to 2000, the City added 456,500 private sector jobs (growth of 17%). From 2000 to 2003, the City lost 173,200 private sector jobs (decline of 5%). From 2003 to 2008, the City added 257,600 private sector jobs (growth of 9%). From 2008 to 2009, the City lost 103,100 private sector jobs (decline of 3%). From 2009 to 2018, the City added 818,400 private sector jobs (growth of 26%). All such changes are based on average annual employment levels through and including the years referenced. As of January 2019, total employment in the City was 4,529,700 compared to 4,435,800 in January 2018, an increase of approximately 2.1% based on data provided by the New York State Department of Labor, which is not seasonally adjusted. The table below shows the distribution of employment from 2009 to 2018.

### NEW YORK CITY EMPLOYMENT DISTRIBUTION

	Average Annual Employment (in thousands)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Goods-Producing Sectors</b>										
Construction .....	120.8	112.5	112.4	116.2	122.3	129.3	139.4	147.2	152.5	157.8
Manufacturing .....	81.6	76.3	75.7	76.4	76.4	76.6	77.9	76.2	73.2	70.6
<b>Service-Producing Sectors</b>										
Trade, Transportation and Utilities ...	551.9	559.0	574.9	589.7	603.9	619.2	628.6	628.3	631.5	631.2
Information .....	165.9	166.6	171.5	176.5	180.2	186.3	190.4	194.2	200.5	204.4
Financial Activities .....	432.9	427.3	438.1	437.8	436.4	448.0	457.9	464.6	467.5	474.7
Professional and Business Services .....	569.1	575.3	597.4	619.2	643.0	669.1	700.0	722.7	742.8	762.1
Educational and Health Services .....	752.6	771.6	789.2	805.6	831.1	866.4	896.9	928.7	961.9	1,006.2
Leisure and Hospitality .....	309.5	323.1	343.2	366.7	386.6	409.7	429.1	441.6	458.4	463.0
Other Services .....	160.3	160.6	165.2	170.4	174.9	180.2	185.7	190.1	191.6	193.1
<b>Total Private Sector .....</b>	<b>3,144.7</b>	<b>3,172.4</b>	<b>3,267.5</b>	<b>3,358.5</b>	<b>3,454.5</b>	<b>3,584.6</b>	<b>3,705.9</b>	<b>3,793.5</b>	<b>3,880.0</b>	<b>3,963.0</b>
<b>Total Government Sector .....</b>	<b>586.3</b>	<b>579.0</b>	<b>573.3</b>	<b>570.6</b>	<b>570.6</b>	<b>573.3</b>	<b>579.5</b>	<b>583.7</b>	<b>584.7</b>	<b>588.3</b>
<b>Total.....</b>	<b>3,730.9</b>	<b>3,751.4</b>	<b>3,840.8</b>	<b>3,929.0</b>	<b>4,025.0</b>	<b>4,157.9</b>	<b>4,285.4</b>	<b>4,377.2</b>	<b>4,464.7</b>	<b>4,551.3</b>

Source: New York State Department of Labor. Data are presented using the North American Industry Classification System ("NAICS"). Not seasonally adjusted.

Note: Totals may not add due to rounding.

## Sectoral Distribution of Employment and Earnings

In 2017, the City's service-producing sectors provided approximately 3.7 million jobs and accounted for approximately 82% of total employment. Figures on the sectoral distribution of employment in the City from 1980 to 2000 reflect a significant shift to the service-producing sectors and a shrinking manufacturing base relative to the nation.

The structural shift to the service-producing sectors affects the total earnings as well as the average wage per employee because employee compensation in certain of those sectors, such as financial activities and professional and business services, tends to be considerably higher than in most other sectors. Moreover, average wage rates in these sectors are significantly higher in the City than in the nation. In the City in 2017, the employment share for the financial activities and professional and business services sectors was approximately 27% while the earnings share for those same sectors was approximately 47%. In the nation, those same service-producing sectors accounted for only approximately 20% of employment and 27% of earnings in 2017. Due to the earnings distribution in the City, sudden or large shocks in the financial markets may have a disproportionately adverse effect on the City relative to the nation.

The City's and the nation's employment and earnings by sector for 2017 are set forth in the following table.

### SECTORAL DISTRIBUTION OF EMPLOYMENT AND EARNINGS IN 2017<sup>(1)</sup>

	Employment		Earnings <sup>(2)</sup>	
	City	U.S.	City	U.S.
<b>Goods-Producing Sectors</b>				
Mining and Logging.....	0.0%	0.5 %	0.4 %	1.2 %
Construction .....	3.4	4.8	3.4	6.2
Manufacturing .....	1.6	8.5	1.0	9.2
<b>Total Goods-Producing</b> .....	<u>5.1</u>	<u>13.7</u>	<u>4.9</u>	<u>16.6</u>
<b>Service-Producing Sectors</b>				
Trade, Transportation and Utilities .....	14.1	18.7	8.8	15.3
Information.....	4.5	1.9	7.6	3.6
Financial Activities .....	10.5	5.8	26.6	9.7
Professional and Business Services.....	16.6	14.0	20.8	17.3
Education and Health Services .....	21.5	15.8	11.6	12.9
Leisure and Hospitality .....	10.3	10.9	5.6	4.8
Other Services.....	4.3	3.9	2.9	3.6
<b>Total Service-Producing</b> .....	<u>81.8</u>	<u>71.1</u>	<u>83.9</u>	<u>67.2</u>
<b>Total Private Sector</b> .....	86.9	84.8	89.6	83.8
<b>Government</b> <sup>(3)</sup> .....	13.1	15.2	10.4	16.2

Note: Data may not add due to rounding or disclosure limitations. Data are presented using NAICS.

Sources: The primary sources are the New York State Department of Labor; the U.S. Department of Labor, Bureau of Labor Statistics; and the U.S. Department of Commerce, Bureau of Economic Analysis.

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

<sup>(2)</sup> Includes the sum of wage and salary disbursements, other labor income, and proprietor's income. The latest information available is 2016 data.

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

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

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

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

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

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

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

- (1) The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.
- (2) Includes the sum of wage and salary disbursements, other labor income and proprietors' income. The latest information available for the City is 2000 data.
- (3) Excludes military establishments.

## Taxable Sales

The City is a major retail trade market with the greatest volume of retail sales of any city in the nation. The Sales Tax is levied on a variety of economic activities including retail sales, utility and communication sales, services and manufacturing. Taxable sales and purchases reflects data from the State Department of Taxation and Finance publication "Taxable Sales and Purchases, County and Industry Data." The yearly data presented in this paragraph and the table below covers the period from March 1 of the year prior to the listed year through the last day of February of the listed year. Between 2003 and 2008, total taxable sales volume growth rate averaged 7.0%. From 2009 to 2010, total taxable sales volume decreased by 6.3%, reflecting a decline in consumption as a result of local employment losses and the local and national recessions. Between 2010 and 2018, total taxable sales volume growth rate averaged 5.3%, primarily as a result of an increase in consumption as a result of local employment gains and the local and national economic recoveries, as well as two sales tax base expansions enacted by the City, effective August 1, 2009.

The following table illustrates the volume of sales and purchases subject to the Sales Tax for 2003 through 2018.

### TAXABLE SALES AND PURCHASES SUBJECT TO SALES TAX (billions)

Year <sup>(1)</sup>	Retail <sup>(2)</sup>	Utility & Communication Sales <sup>(3)</sup>	Services <sup>(4)</sup>	Manufacturing	Other <sup>(5)</sup>	Total
2003.....	\$26.1	\$16.0	\$21.0	\$1.8	\$16.6	\$ 81.6
2004.....	32.3	16.8	21.7	1.9	16.8	89.5
2005.....	36.5	17.4	24.1	2.1	18.1	98.2
2006.....	35.9	20.1	26.3	2.2	20.6	105.1
2007.....	33.4	19.1	28.1	2.4	23.7	106.7
2008.....	33.3	20.6	31.5	2.8	26.7	115.0
2009.....	31.3	22.0	31.8	2.7	25.9	113.6
2010.....	31.0	20.6	30.1	2.2	22.5	106.4
2011.....	36.6	21.4	33.7	4.6	20.1	116.4
2012.....	41.3	20.9	37.2	4.9	22.0	126.3
2013.....	41.2	20.6	39.2	5.2	23.3	129.5
2014.....	46.1	22.8	43.9	5.6	20.7	139.1
2015.....	47.3	23.0	47.3	5.8	22.2	145.7
2016.....	47.9	21.9	51.1	5.7	23.1	149.7
2017.....	48.4	22.6	53.0	6.0	23.4	153.4
2018.....	49.7	24.2	55.2	6.6	24.6	160.3

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

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

- (1) The yearly data is for the period from March 1 of the year prior to the listed year through the last day of February of the listed year.
- (2) Retail sales include building materials, general merchandise, food, auto dealers/gas stations, apparel, furniture, eating and drinking and miscellaneous retail.
- (3) Utility and Communication Sales include both residential and non-residential electric and residential and non-residential gas and communication.
- (4) Services include business services, hotel occupancy services (stays for the first 90 days), and other services (auto repair, parking and others).
- (5) Other includes construction, wholesale trade, arts, entertainment and recreation, and others. Also included in Other are local tax base components of City taxable sales and purchases which include Manhattan parking services, hotel occupancy services (stays from 91 to 180 days), and miscellaneous services (credit rating and reporting services, miscellaneous personal services, and other services). Other includes items previously identified as "City Other" except for residential utility, which is reflected in "Utility & Communication Sales."

## Population

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

### POPULATION OF NEW YORK CITY

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

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

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

The United States Census Bureau estimates that the City's population increased to 8,622,698 as of July 2017.

## SECTION IV: THE FIXED RATE BONDS

### General

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

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

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

### Mandatory Redemption of Subseries C-1 Term Bonds

The Subseries C-1 Bonds maturing November 1, 2042 are term bonds subject to mandatory redemption at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, without premium, on the dates and in the amounts set forth below:

<u>November 1,</u>	<u>Principal Amount to be Redeemed</u>
2041	\$89,485,000
2042*	93,065,000

\*Stated maturity.

The Authority may credit against any annual amount subject to mandatory redemption, the principal amount of any Subseries C-1 Term Bonds of the same maturity and interest rate that have been defeased, purchased for cancellation or redeemed and not previously so credited.

See “—Notice of Redemption or Tender; Selection of Bonds to be Redeemed or Tendered” below for information on the manner of selection of the Subseries C-1 Bonds to be redeemed as described under this subheading “Mandatory Redemption of Subseries C-1 Term Bonds.”

### **Optional Redemption or Mandatory Tender of Subseries C-1 Bonds**

The Subseries C-1 Bonds maturing on or before November 1, 2028 are not subject to optional redemption or mandatory tender prior to their stated maturity dates.

The Subseries C-1 Bonds maturing after November 1, 2028 are subject to optional redemption or mandatory tender, in each case, at the option of the Authority prior to their stated maturity dates, in whole or in part, on any date on or after May 1, 2029, upon 30 days’ notice, at a price of 100% of their principal amount plus accrued interest to such redemption or tender date.

See “—Notice of Redemption or Tender; Selection of Bonds to be Redeemed or Tendered” below for information on the manner of selection of the Subseries C-1 Bonds to be redeemed or tendered as described under this subheading “Optional Redemption or Mandatory Tender of Subseries C-1 Bonds.”

### **Optional Redemption or Mandatory Tender of Subseries C-2 Bonds**

#### *Make-Whole Optional Redemption or Mandatory Tender*

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

- (1) the issue price set forth on the applicable inside cover page hereof (but not less than 100%) of the principal amount of such Subseries C-2 Bonds to be redeemed or tendered; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Subseries C-2 Bonds to be redeemed or tendered, not including any portion of those payments of interest accrued and unpaid as of the date on which such Subseries C-2 Bonds are to be redeemed or tendered, discounted to the date on which such Subseries C-2 Bonds are to be redeemed or tendered on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 10 basis points;

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

“Treasury Rate” means, with respect to any redemption or tender date for a particular Subseries C-2 Bond, the yield to maturity as of such redemption or tender 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 or tender 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 or tender date to the maturity date of the Subseries C-2 Bond to be redeemed or tendered.

See “—Notice of Redemption or Tender; Selection of Bonds to be Redeemed or Tendered” below for information on the manner of selection of the Subseries C-2 Bonds to be redeemed or tendered as described under this subheading “Optional Redemption or Mandatory Tender of Subseries C-2 Bonds.”

## **Optional Redemption or Mandatory Tender of Subseries C-3 Bonds**

### *Optional Redemption or Mandatory Tender*

The Subseries C-3 Bonds are subject to optional redemption or mandatory tender, in each case, at the option of the Authority prior to their stated maturity dates, in whole or in part, on any date on or after May 1, 2029, upon 30 days' notice, at a price of 100% of their principal amount plus accrued interest to such redemption or tender date.

### *Make-Whole Optional Redemption or Mandatory Tender*

The Subseries C-3 Bonds are subject to optional redemption or mandatory tender prior to their stated maturity dates at the option of the Authority, in whole or in part on any date, at a make-whole price equal to the greater of:

- (1) the issue price set forth on the applicable inside cover page hereof (but not less than 100%) of the principal amount of such Subseries C-3 Bonds to be redeemed or tendered; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Subseries C-3 Bonds to be redeemed or tendered, not including any portion of those payments of interest accrued and unpaid as of the date on which such Subseries C-3 Bonds are to be redeemed or tendered, discounted to the date on which such Subseries C-3 Bonds are to be redeemed or tendered on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 25 basis points;

plus, in each case, accrued interest on such Subseries C-3 Bonds to be redeemed or tendered to the redemption or tender date.

“Treasury Rate” means, with respect to any redemption or tender date for a particular Subseries C-3 Bond, the yield to maturity as of such redemption or tender 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 or tender 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 or tender date to the maturity date of the Subseries C-3 Bond to be redeemed or tendered.

See “—Notice of Redemption or Tender; Selection of Bonds to be Redeemed or Tendered” below for information on the manner of selection of the Subseries C-3 Bonds to be redeemed or tendered as described under this subheading “Optional Redemption or Mandatory Tender of Subseries C-3 Bonds.”

## **Multi-Modal Bonds in the Fixed Rate Mode**

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

## **Notice of Redemption or Tender; Selection of Bonds to be Redeemed or Tendered**

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



The particular series and subseries, if applicable, maturities, amounts and interest rates of the Fixed Rate Bonds to be redeemed or called for mandatory tender 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 or call for mandatory tender the Fixed Rate Bonds, the Trustee is to give notice of such redemption or tender by mail to the Holders of the Fixed Rate Bonds to be redeemed or tendered, as applicable, not less than 30 days or more than 60 days prior to the date set for redemption or tender. Failure by a particular Holder to receive notice, or any defect in the notice to such Holder, will not affect the redemption or purchase of any other Bond.

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

### **Defeasance**

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

In the event that Fixed Rate Bonds of any subseries are defeased to their maturity, the Authority expects that any such Bonds that are subject to optional redemption or mandatory tender and are escrowed to maturity will remain subject to optional redemption or mandatory tender by the Authority.

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## Debt Service Requirements

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

Fiscal Year	Outstanding Future Tax Secured Bonds Debt Service <sup>(1)(2)(3)</sup>		Fixed Rate Bonds and Adjustable Rate Bonds Debt Service <sup>(1)</sup>			Total Future Tax Secured Bonds Debt Service <sup>(1)(2)</sup>		
	Senior Debt Service	Subordinate Debt Service	Principal	Interest	Total	Senior Debt Service	Subordinate Debt Service	Total
2019 <sup>(4)</sup>	\$ 5,935,600	\$ 524,638,698		\$ 336,458	\$ 336,458	\$ 5,935,600	\$ 524,975,156	\$ 530,910,756
2020	33,210,475	3,043,473,107		64,370,949	64,370,949	33,210,475	3,107,844,056	3,141,054,531
2021	29,741,750	3,103,665,759	\$37,740,000	60,605,075	98,345,075	29,741,750	3,202,010,834	3,231,752,584
2022	29,741,750	3,076,903,127	39,460,000	59,010,362	98,470,362	29,741,750	3,175,373,489	3,205,115,239
2023	29,741,750	3,030,572,467	40,940,000	57,689,223	98,629,223	29,741,750	3,129,201,690	3,158,943,440
2024	29,741,750	2,899,080,033	46,645,000	56,439,436	103,084,436	29,741,750	3,002,164,469	3,031,906,219
2025	62,977,404	2,766,439,741	47,975,000	55,077,803	103,052,803	62,977,404	2,869,492,544	2,932,469,948
2026	84,124,006	2,732,574,485	49,365,000	53,644,296	103,009,296	84,124,006	2,835,583,781	2,919,707,787
2027	168,574,075	2,656,948,000	50,835,000	52,119,015	102,954,015	168,574,075	2,759,902,015	2,928,476,090
2028	165,866,275	2,602,010,092	52,410,000	50,496,057	102,906,057	165,866,275	2,704,916,148	2,870,782,423
2029	167,879,003	2,459,803,168	54,080,000	48,766,210	102,846,210	167,879,003	2,562,649,377	2,730,528,380
2030	90,664,531	2,409,323,490	55,875,000	46,916,159	102,791,159	90,664,531	2,512,114,649	2,602,779,180
2031	39,566,725	2,378,108,220	57,780,000	44,949,224	102,729,224	39,566,725	2,480,837,444	2,520,404,169
2032	36,828,275	2,259,062,270	59,805,000	42,863,031	102,668,031	36,828,275	2,361,730,301	2,398,558,576
2033		2,230,449,330	61,955,000	40,678,093	102,633,093		2,333,082,422	2,333,082,422
2034		2,142,953,217	64,175,000	38,401,246	102,576,246		2,245,529,463	2,245,529,463
2035		2,099,779,777	66,505,000	35,572,763	102,077,763		2,201,857,540	2,201,857,540
2036		2,066,884,491	69,835,000	32,164,263	101,999,263		2,168,883,754	2,168,883,754
2037		2,060,815,583	73,325,000	29,003,438	102,328,438		2,163,144,021	2,163,144,021
2038		2,011,457,197	76,145,000	26,065,588	102,210,588		2,113,667,785	2,113,667,785
2039		1,922,091,464	79,200,000	22,958,688	102,158,688		2,024,250,152	2,024,250,152
2040		1,667,986,595	82,370,000	19,535,738	101,905,738		1,769,892,332	1,769,892,332
2041		1,386,934,855	86,030,000	15,976,188	102,006,188		1,488,941,042	1,488,941,042
2042		1,303,740,635	89,485,000	12,465,888	101,950,888		1,405,691,522	1,405,691,522
2043		1,047,028,716	93,065,000	8,814,888	101,879,888		1,148,908,604	1,148,908,604
2044		815,641,969	79,255,000	5,298,875	84,553,875		900,195,844	900,195,844
2045		380,522,513	85,745,000	1,822,081	87,567,081		468,089,594	468,089,594
2046		243,301,431					243,301,431	243,301,431
2047		37,420,538					37,420,538	37,420,538

Note: Totals may not add due to rounding.

(1) Figures reflect estimated debt service on tax-exempt variable rate bonds calculated at an assumed interest rate of 4.25% per annum.

(2) Figures reflect Sinking Fund Requirements deposited for payment of the principal of Qualified School Construction Bonds.

(3) Figures reflect outstanding amounts as of the date of this Offering Circular.

(4) Figures reflect amounts remaining to be paid in fiscal year 2019.

## **Use of Proceeds**

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

## **Book-Entry Only System**

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

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

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

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

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

accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

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

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC, AND NONE OF THE AUTHORITY, THE UNDERWRITERS OR THE INITIAL PURCHASERS MAKE ANY REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

### **Global Clearance Procedures**

*General.* The Underwriters have advised the Authority that the beneficial interest in the Fixed Rate Bonds may be held through DTC, Clearstream Banking, S.A. (“Clearstream”) or Euroclear Bank S.A./N.V. (“Euroclear”) as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system.

The information set out herein is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (DTC, Euroclear and Clearstream together, the “Clearing Systems”) currently in effect. Neither Euroclear or Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Authority nor any of its agents will have any responsibility for the performance by Euroclear or Clearstream or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

The information in this subsection concerning the Clearing Systems has been obtained from sources that the Authority, the Underwriters and the Initial Purchasers believe to be reliable, but none of the Authority, the Underwriters or the Initial Purchasers take any responsibility for the accuracy thereof or make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

#### *Euroclear and Clearstream.*

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

*Clearing and Settlement Procedures.* The Fixed Rate Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Fixed Rate Bonds, the record holder will be DTC’s nominee. Clearstream and Euroclear will hold omnibus

positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

*Transfer Procedures.* Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time.

The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Authority will not impose any fees in respect of holding the Fixed Rate Bonds; however, holders of book-entry interests in the Fixed Rate Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the DTC, Euroclear and Clearstream.

*Initial Settlement.* Interests in the Fixed Rate Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Fixed Rate Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Fixed Rate Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Fixed Rate Bonds against payment (value as on the date of delivery of the Fixed Rate Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Fixed Rate Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Fixed Rate Bonds following confirmation of receipt of payment to the Authority on the date of delivery of the Fixed Rate Bonds.

*Secondary Market Trading.* Secondary market trades in the Fixed Rate Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Fixed Rate Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Fixed Rate Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Fixed Rate Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

*Special Timing Considerations.* Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Fixed Rate Bonds through Euroclear or

Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Fixed Rate Bonds, or to receive or make a payment or delivery of Fixed Rate Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

### **Other Information**

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

## **SECTION V: THE AUTHORITY**

### **Purpose and Operations**

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

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

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

### **Directors and Management**

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

Melanie Hartzog, Chairperson	—	Director of Management and Budget of the City
Jacques Jiha	—	Commissioner of Finance of the City
Scott M. Stringer	—	Comptroller of the City
Lorraine Grillo	—	Commissioner of the Department of Design and Construction of the City
Corey Johnson	—	Speaker of the City Council

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

#### *Alan L. Anders, Executive Director*

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

*Prescott D. Ulrey, Secretary*

Mr. Ulrey was appointed Assistant Secretary in 1998, and subsequently was appointed General Counsel in 2000 and Secretary in 2013. He is a graduate of the University of California at Berkeley, the Fletcher School of Law and Diplomacy at Tufts University and Columbia Law School. He also serves as General Counsel at the Office of Management and Budget of the City.

*F. Jay Olson, Treasurer*

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

*Robert L. Balducci, Comptroller*

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

*Kemraj Narine, Deputy Comptroller*

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

*Al Rodriguez, Assistant Secretary*

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

*Jeffrey M. Werner, Assistant Secretary*

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

*Laura A. Tarbox, Assistant Treasurer*

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

*Nameca Sharma, Accounting Manager*

Ms. Sharma was appointed Accounting Manager in 2015. She is a graduate of York College of the City University of New York.

**Other Authority Obligations**

Assuming conditions specified in the Act and the Indenture are met and subject to the limitations described below, the Act authorizes the Authority to issue Future Tax Secured Bonds for general City capital purposes and for refunding of Future Tax Secured Bonds. The Act has been amended several times to increase the amount of debt the Authority is authorized to issue. The Act was last amended by Chapter 182 of the Laws of New York, 2009, which permits the Authority to have outstanding \$13.5 billion of Future Tax Secured Bonds (including Senior Bonds and Parity Debt but excluding Recovery Obligations). In addition, Chapter 182 permits the Authority to issue additional



Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of January 31, 2019, the City's and the Authority's combined remaining debt-incurring power was approximately \$32.9 billion. The statutory debt limits are binding on the Authority but are not covenants with Bondholders and are subject to change by legislation adopted by the State.

The Authority's contracts with its Bondholders, including limitations on Senior Bonds, coverage tests and other restrictions on the issuance of additional Bonds, are set forth in the Indenture and summarized in "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT." These contracts can be changed only in accordance with the provisions of the Indenture relating to the amendments thereto. For information relating to anticipated issuance of Future Tax Secured Bonds, see "—Plan of Finance."

The Act also permits the Authority to have outstanding an additional \$2.5 billion of its Recovery Obligations without regard to the limitations described above. The School Financing Act authorizes the issuance of Building Aid Revenue Bonds of the Authority in an amount outstanding of up to \$9.4 billion to finance portions of the City's educational facilities capital plan. Building Aid Revenue Bonds are secured by State Building Aid assigned by the City to the Authority. Building Aid Revenue Bonds are not secured by Tax Revenues.

The Authority has Outstanding \$37,021,145,000 of Future Tax Secured Bonds consisting of \$703,190,000 of Senior Bonds and \$36,317,955,000 of Parity Debt (including \$558,450,000 of Recovery Obligations), which are the only Subordinate Bonds payable from the Tax Revenues. Of such Senior Bonds, \$699,800,000 are variable rate bonds. Of such Parity Debt, \$3,593,900,000 are variable rate bonds. For further information regarding the Authority's variable rate bonds, see "APPENDIX C—VARIABLE RATE BONDS."

The Authority has Outstanding \$8,111,130,000 of Building Aid Revenue Bonds. The Authority expects to issue additional Building Aid Revenue Bonds in the future. All of the Building Aid Revenue Bonds are fixed rate bonds. Building Aid Revenue Bonds are not secured by Tax Revenues. Currently, the Authority has no Senior Agreements.

### **Plan of Finance**

The Authority projects that it will issue approximately \$4.0 billion, \$4.7 billion, \$5.3 billion and \$5.5 billion during fiscal years 2020 through 2023, respectively, of Future Tax Secured Bonds for general City capital purposes. The Authority also expects to issue refunding bonds from time to time. The Authority may issue such Future Tax Secured Bonds as either Senior Bonds or Parity Debt or combinations thereof.

## **SECTION VI: LITIGATION**

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

## **SECTION VII: TAX MATTERS**

### **Fixed Rate Bonds – New York Personal Income Tax Exemption**

In the respective opinions of Norton Rose Fulbright US LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, as Co-Bond Counsel to the Authority ("Co-Bond Counsel"), interest on the Fixed Rate

Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

### **Tax-Exempt Bonds**

The Authority and the City will covenant in Tax Certificates to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion from gross income of the interest on the Subseries C-1 Bonds (the “Tax-Exempt Bonds”) for purposes of federal income taxation. In the respective opinions of Co-Bond Counsel, assuming compliance by the Authority and the City with such covenants, interest on the Tax-Exempt Bonds will be excludable from the gross income of the owners thereof for purposes of federal income taxation. Failure by the Authority or the City to comply with such covenants may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds. Further, Co-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 (including without limitation a change in the interest rate mode with respect to the Tax-Exempt Bonds) taken or not taken after the date of such opinion without the approval of Co-Bond Counsel.

In the respective opinions of Co-Bond Counsel, interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Co-Bond Counsel, as a result of ownership of the Tax-Exempt Bonds or the inclusion in certain computations of interest that is excluded from gross income.

Each Co-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 Co-Bond Counsel, and Co-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. In responding to or defending an audit of the tax-exempt status of the interest on the Tax-Exempt Bonds, the Authority may have different or conflicting interests from the owners of the Tax-Exempt Bonds. Public awareness of any future audit of the Tax-Exempt Bonds could adversely affect the value and liquidity of the Tax-Exempt Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Co-Bond Counsel will express 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.

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

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

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

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

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

## **Taxable Bonds**

*General.* The following is a general summary of certain federal income tax consequences of the purchase and ownership of the Subseries C-2 Bonds and the Subseries C-3 Bonds (collectively, the “Taxable Bonds”). The discussion is based upon the Code, U.S. Treasury Regulations, rulings, and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretation. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a Taxable Bond by a Beneficial Owner thereof. Further, this summary does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the Taxable Bonds in light of the investor’s particular circumstances (for example, persons subject to the alternative minimum tax provisions of the Code), or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax-exempt organizations and entities, financial institutions, broker-dealers, persons who have hedged the risk of owning the Taxable Bonds, traders in securities that elect to use a mark-to-

market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass-through entities, certain hybrid entities and owners of interests therein, persons who acquire Taxable Bonds in connection with the performance of services, or persons deemed to sell Taxable Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or U.S. federal tax laws other than U.S. federal income tax law. The summary is limited to certain issues relating to initial investors who will hold the Taxable Bonds as “capital assets” within the meaning of Section 1221 of the Code, and acquire such Taxable Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to Beneficial Owners of the Taxable Bonds who are United States persons within the meaning of Section 7701(a)(30) of the Code (“United States persons”) and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

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

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

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

*Backup Withholding.* Under Section 3406 of the Code, a Beneficial Owner of the Taxable Bonds who is a United States person may, under certain circumstances, be subject to “backup withholding” (currently at a rate of 24 percent) on current or accrued interest on the Taxable Bonds or with respect to proceeds received from a disposition of the Taxable Bonds. This withholding applies if such Beneficial Owner of Taxable Bonds: (i) fails to furnish to the payor such Beneficial Owner’s social security number or other TIN; (ii) furnishes the payor an incorrect TIN; (iii) fails to report interest properly; or (iv) under certain circumstances, fails to provide the payor or such Beneficial Owner’s broker with a certified statement, signed under penalty of perjury, that the TIN provided to the payor or broker is correct and that such Beneficial Owner is not subject to backup withholding. To establish status as an exempt person, a Beneficial Owner will generally be required to provide certification on IRS Form W-9 (or substitute form).

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

*Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations.* Under Sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to

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

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

*Foreign Account Tax Compliance Act.* Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act (“FATCA”) imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Taxable Bonds and sales proceeds of Taxable Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including original issue discount) and will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018 and (ii) certain “pass-thru” payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

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

## **ERISA Considerations**

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

ERISA. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Fixed Rate Bond.

### **SECTION VIII: RATINGS**

The Fixed Rate Bonds are rated “AAA” by S&P, “Aa1” by Moody’s and “AAA” by Fitch. Such ratings reflect only the views of S&P, Moody’s and Fitch from which an explanation of the significance of such ratings may be obtained. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency originally establishing the rating, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Fixed Rate Bonds.

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

The legality of the authorization of the Fixed Rate Bonds will be affirmed by the approving legal opinions of Norton Rose Fulbright US LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel to the Authority. Reference should be made to the form of each such opinion as set forth in APPENDIX D-1 and APPENDIX D-2 hereto for the matters covered by each such opinion and the scope of each Co-Bond Counsel’s engagement in relation to the issuance of the Fixed Rate Bonds.

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

Certain legal matters will be passed upon for the Underwriters and the Initial Purchasers by Hawkins Delafield & Wood LLP, New York, New York, and Pearlman & Miranda LLC, New York, New York, co-counsel for the Underwriters and the Initial Purchasers.

### **SECTION X: FINANCIAL ADVISORS**

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

### **SECTION XI: FINANCIAL STATEMENTS**

The financial statements of the Authority as of and for the years ended June 30, 2018 and 2017 included in APPENDIX B to this Offering Circular have been audited by Marks Paneth LLP, independent certified public accountants, as stated in their report appearing therein. Marks Paneth LLP, the Authority’s independent auditor, has not reviewed, commented on or approved, and is not associated with, this Offering Circular. The report of Marks Paneth LLP relating to the Authority’s financial statements for the years ended June 30, 2018 and 2017, which is a matter of public record, is included in this Offering Circular. However, Marks Paneth LLP has not performed any procedures on any financial statements or other financial information of the Authority, including without limitation any of the information contained in this Offering Circular, since the date of such report and has not been asked to consent to the inclusion of its report in this Offering Circular.

### **SECTION XII: CONTINUING DISCLOSURE UNDERTAKING**

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

The Authority shall provide:

(a) within 185 days after the end of each Fiscal Year, to the Electronic Municipal Market Access system (“EMMA”) (<http://emma.msrb.org>) established by the Municipal Securities Rulemaking Board (the “MSRB”), core financial information and operating data for the prior fiscal year, including (i) the Authority’s

audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the Authority's revenues, expenditures, financial operations and indebtedness, generally of the types found under "SECTION II" and "SECTION III" herein; and

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Fixed Rate Bonds, or other material events affecting the tax status of the Fixed Rate Bonds;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Fixed Rate Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Authority; which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority;
- (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation (as defined below) of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect Holders of the Bonds, if material;

- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties; and
- (17) failure by the Authority to comply with clause (a) above.

“Financial Obligation” means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B) but shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

An amendment to the Undertaking may only take effect if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of award of a series of bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Holders of bonds, as determined by parties unaffiliated with the Authority (such as, but without limitation, the Authority’s Financial Advisors or Co-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 on the date of the Undertaking ceases to be in effect for any reason, and the Authority elects that the Undertaking shall be deemed terminated or amended (as the case may be) accordingly.

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



### **SECTION XIII: UNDERWRITING**

The Subseries C-1 Bonds are being purchased by the Underwriters, for whom Goldman Sachs & Co. LLC is acting as Lead Manager.

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Subseries C-1 Bonds from the Authority at an aggregate underwriting discount of \$3,870,551.64 and to make an initial public offering of the Subseries C-1 Bonds at prices that are not in excess of the initial public offering prices set forth on the applicable inside cover page of this Offering Circular, plus accrued interest, if any.

The Subseries C-2 Bonds are being purchased by J.P. Morgan Securities LLC, the Initial Purchaser of such Bonds, pursuant to a Notice of Sale dated March 15, 2019, as supplemented, at an underwriting discount of \$463,314.90.

The Subseries C-3 Bonds are being purchased by RBC Capital Markets, LLC, the Initial Purchaser of such Bonds, pursuant to a Notice of Sale dated March 15, 2019, as supplemented, at an underwriting discount of \$711,893.70.

The delivery of each of the Subseries C-1 Bonds, the Subseries C-2 Bonds and the Subseries C-3 Bonds is dependent upon the delivery of one or more of such other subseries.

The Fixed Rate Bonds may be offered and sold to certain dealers (including the other Underwriters and Initial Purchasers) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriters and the Initial Purchasers.

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

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

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

### **SECTION XIV: LEGAL INVESTMENT**

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

public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

#### **SECTION XV: MISCELLANEOUS**

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

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

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

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

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**SUMMARY OF INDENTURE AND AGREEMENT**

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

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

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

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

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

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

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

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

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

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

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

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

**“Bonds”** means all obligations issued by the Authority as bonds.

**“Build America Bonds” or “BABs”** means build America bonds under Section 54AA of the Tax Code.

**“Building Aid”** means the State school building aid described in the Assignment.

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

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

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

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

**“Collection Quarter”** means the three months beginning each August, November, February and May.

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

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

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

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

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

**“Defeasance Collateral”** means money and (A) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any

Federal Reserve Bank (not including “CATS,” “TIGRS” and “TRS” unless the Authority obtains Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

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

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

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

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

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

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

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

- (i) Defeasance Collateral;
- (ii) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, FNMA, the Federal Home Loan Bank System or the Federal Farm Credit System;
- (iii) demand and time deposits in or certificates of deposit of, or bankers’ acceptances issued by, any bank or trust company, savings and loan association or savings bank, if such deposits or instruments are rated A-1+ by S&P 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 S&P;
- (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 S&P and in one of the two highest categories by Moody’s;

- (vi) repurchase obligations with respect to any security described in clause (i) or (ii) above entered into with a broker/dealer, depository institution or trust company (acting as principal) meeting the rating standards described in clause (iii) above;
- (vii) securities bearing interest or sold at a discount that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated in one of the two highest categories by Moody's and either A-1+ or in one of the two highest long-term categories by S&P at the time of such investment or contractual commitment providing for such investment; provided, however, that securities issued by any such corporation will not be Eligible Investments to the extent that investment therein would cause the then outstanding principal amount of securities issued by such corporation that are then held to exceed 20% of the aggregate principal amount of all Eligible Investments then held;
- (viii) units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated in one of the two highest categories by Moody's and at least AAm or AAm-G by S&P, including if so rated the VISTA Money Market Funds or any other fund which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee charges and collects fees and expenses (not exceeding current income) from such funds for services rendered, (b) the Trustee charges and collects fees and expenses for services rendered pursuant to the Indenture, and (c) services performed for such funds and pursuant to the Indenture may converge at any time (the Authority specifically authorizes the Trustee or an affiliate of the Trustee to charge and collect all fees and expenses from such funds for services rendered to such funds, in addition to any fees and expenses the Trustee may charge and collect for services rendered pursuant to the Indenture);
- (ix) investment agreements or guaranteed investment contracts rated, or with any financial institution whose senior long-term debt obligations are rated, or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, in one of its two highest rating categories for comparable types of obligations by Moody's and S&P; or
- (x) investment agreements with a corporation whose principal business is to enter into such agreements if (a) such corporation has been assigned a counterparty rating by Moody's in one of the two highest categories and S&P 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 S&P;

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

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

**"FHLMC"** means the Federal Home Loan Mortgage Corporation.

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

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

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

**“Fiscal Year”** means each 12-month period beginning July 1.

**“FNMA”** means the Federal National Mortgage Association.

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

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

**“Incremental Building Aid”** means Building Aid that is not Confirmed Building Aid.

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

**“LFL”** means the Local Finance Law of the State, as amended from time to time.

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

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

**“Moody’s”** means Moody’s Investors Service; references to Moody’s are effective so long as Moody’s is a Rating Agency.

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

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

**“Notes”** means all obligations issued by the Authority as Notes under the Indenture.

**“Officer’s Certificate”** means a certificate signed by an Authorized Officer of the Authority or the City.

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

**“Outstanding,”** when used to modify Bonds or Notes, refers to Bonds or Notes issued under the Indenture, excluding: (i) Bonds or Notes which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment; (ii) Bonds or Notes which have been paid; (iii) Bonds or Notes which have become due and for



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

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

**“Payment Period”** means the three months following each Collection Quarter.

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

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

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

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

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

**“Pre-07 S-1 Parity Debt”** means Parity Debt that is not Post-07 S-1 Parity Debt.

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

**“Pre-07 S-1 Senior Bonds”** means Senior Bonds that are not Post-07 S-1 Senior Debt.

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

**“Prior Claims”** means the Competing Claims to which the Authority’s right to the Building Aid is subordinated by the School Financing Act.

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

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

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

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

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

**“Quarterly Subordinate Debt Service”** means, as of any date, Subordinate Debt Service for the following Payment Period, as certified to the Trustee by Officer’s Certificate.

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

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

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

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

**“Recovery Bonds”** means Recovery Obligations issued as Bonds.

**“Recovery Costs”** means costs described in Chapter 297.

**“Recovery Notes”** means Recovery Obligations issued as Notes.

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

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

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

**“Sales Taxes”** means Alternative Revenues.

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

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

**“School Bonds”** means School Obligations issued as Bonds.

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

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

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

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

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

**“Senior Bonds”** means all Bonds issued as Senior Bonds in compliance with the provisions of the Indenture.

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

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

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

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

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

**“State”** means the State of New York.

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

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

**“Subordinate Bonds”** means all Bonds but Senior Bonds.

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

The term **“swap contract”** or **“swap”** means an interest rate exchange or similar agreement entered into by the Authority with Rating Confirmation by S&P 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.

**“S&P”** means S&P Global Ratings; references to S&P are effective so long as S&P is a Rating Agency.

**“Tax Code”** or **“Code”** means the Internal Revenue Code of 1986, as amended.

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

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

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

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

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

## THE INDENTURE

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

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

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

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

*Legal Defeasance of Particular Bonds.* If (a) any Bonds or Notes are identified as legally defeased in a Series Resolution pursuant to the Indenture, (b) there is held by or for the account of the Trustee Defeasance Collateral in such principal amounts, bearing fixed interest at such rates and with such maturities as will provide sufficient funds to pay or redeem all obligations to the Holders of such Bonds in full (to be verified by a nationally recognized firm of verification agents or independent certified public accountants), (c) the Authority has taken all action necessary to redeem any such Bonds or Notes to be redeemed prior to maturity and notice of such redemption has been duly given or irrevocable instructions to give notice have been given to the Trustee, and (d) unless otherwise specified by Series Resolution at issuance of the Bonds or Notes to be defeased, the Authority has delivered to the Trustee an opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts (if any), in the same manner and at the same times as would have been the case if such legal

defeasance had not occurred, *then* the Authority's obligations under the Indenture with respect to such Bonds or Notes shall terminate, the debt represented thereby shall be legally satisfied, and the Holders shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment of the funds so held and other rights which by their nature cannot be satisfied until such Bonds or Notes are actually paid. Upon such defeasance, the funds and investments required to pay or redeem the Bonds or Notes shall be irrevocably set aside for that purpose, and money held for defeasance shall be invested only as described above and applied to the retirement of the Bonds or Notes.

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

Bonds and Notes may be issued only:

- (i) as Senior Bonds (or Notes in anticipation thereof) to pay or reimburse Project Capital Costs or refund or renew such Bonds or Notes, but not to exceed \$12 billion in Outstanding principal amount, and subject to a \$330 million limit on Quarterly Debt Service to be payable, or
- (ii) as Subordinate Bonds (or Notes in anticipation thereof), with Rating Confirmation; but
- (iii) no Series of Senior Bonds shall be authenticated and delivered without Rating Confirmation except upon receipt by the Trustee of the following:
  - (w) a certificate by the Director of Management and Budget setting forth the most recent collections for the 12 consecutive calendar months ended not more than two months prior to the date of such certificate, of the Statutory Revenues, in effect at the date of issuance of such Series of Bonds, collected by the State and to be payable to the Authority; and
  - (x) an Officer's Certificate of the Authority setting forth
    - (I) the aggregate amount of Debt Service (excluding any accrued or capitalized interest), including such series of Bonds, for each Fiscal Year such Bonds will be Outstanding,
    - (II) the aggregate amount of operating expenses as estimated by an Authorized Officer of the Authority for the current Fiscal Year, and
    - (III) that the amounts set forth pursuant to clause (w) after deducting the operating expenses set forth pursuant to clause (x)(II), will be at least three times such aggregate amount set forth in clause (x)(I) for each Fiscal Year set forth pursuant to clause (x)(I).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

Cash deposits in the Accounts shall be secured as and to the extent described in Sections 10.3 and 12 of the General Municipal Law of the State, as amended from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*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;

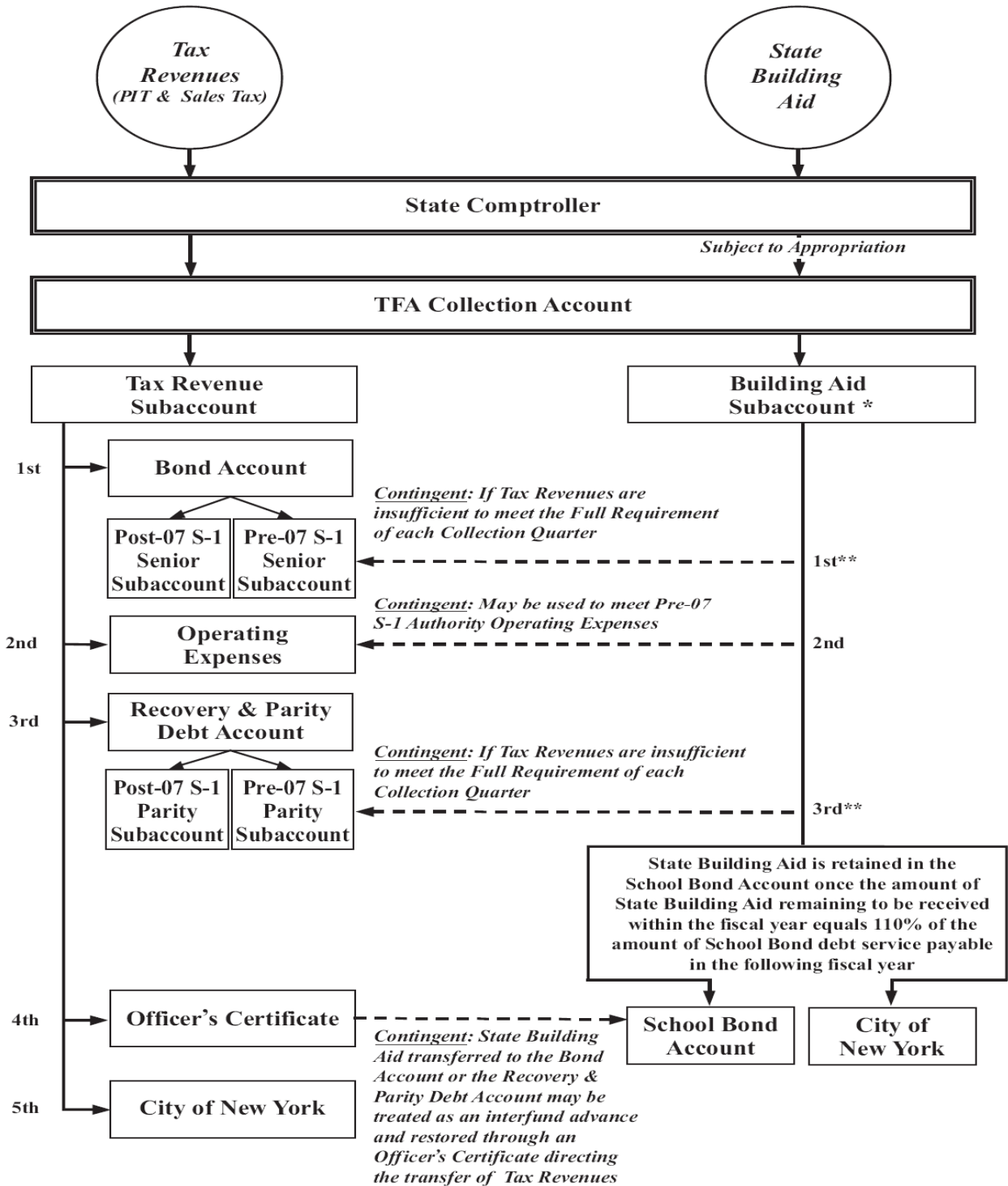
(2) in the first month of each Collection Quarter, beginning the first day when both the Pre-07 S-1 Senior Subaccount and the Pre-07 S-1 Parity Subaccount have been funded to their First-Month Requirements and continuing until the end of the month, to the Federal Bond Subaccount or, if so directed by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

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

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

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

**SUMMARY OF COLLECTION AND APPLICATION OF TAX REVENUES AND STATE BUILDING AID**



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

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

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

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

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

The Authority shall:

- (1) protect and defend, as an operating expense, its and the Trustee's claim to every material portion of the Building Aid, and the Fiduciaries shall cooperate therein at the Authority's expense;
- (2) with the Fiduciaries, as aforesaid, and the City pursuant to the Assignment (a) contest any Competing Claim to any material portion of the Building Aid that (i) it deems factually or legally unfounded, or (ii) is based on constitutional, statutory or regulatory ambiguity, on any provision of the Education Law, or on any action or failure to act of the City; and (b) cooperate with the Holders in filing and prosecuting any claim made by Holders under §99-b of the State Finance Law and in opposing any Competing Claim;
- (3) provide the calculations contemplated by the MOU; and
- (4) not agree to any modification of the MOU that is materially adverse to the Holders of the School Bonds. Without limitation, a modification that receives School Bond Rating Confirmation is not materially adverse to such Holders.

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

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

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

*Accounts and Reports.* (a) The Authority shall:

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

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

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

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

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

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

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

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

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

amendment, modification or other alteration shall not be less than 150% of maximum annual debt service on the Bonds.

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

*State Covenants and Tax Contract.* The Authority includes in the Indenture:

(a) the State's pledge and agreement with the Holders of Outstanding Bonds and Notes that the State will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with the Holders, or in any way impair the rights and remedies of such Holders or the security for the Bonds and Notes until such Bonds and Notes, together with the interest thereon, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully paid and discharged;

(b) the further terms of §2799-ii of the Act to the effect that: Nothing contained in this covenant shall be deemed to restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Personal Income Taxes, but such taxes payable to the Authority shall in all events continue to be so payable so long as any such taxes are imposed. Not less than 30 days prior to the beginning of each City fiscal year, the Chairperson of the Authority shall certify to the State Comptroller, the Governor, and the members of the Board of Directors of the Authority a schedule of maximum annual debt service payments due on the Bonds and Notes then Outstanding. To the extent that Personal Income Taxes payable to the Authority during such fiscal year are projected by the Mayor to be insufficient to meet at least 150% of maximum annual debt service on the Bonds then Outstanding, the Mayor shall so notify the State Comptroller and the State Comptroller shall pay to the Authority from Sales Taxes such amount as is necessary to provide at least 150% of such maximum annual debt service on the Bonds. Nothing in this covenant shall be deemed to obligate the State to make any additional payments or impose any taxes to satisfy the obligations of the Authority;

(c) subdivision 4 of §2799-tt of the Act (added by the School Financing Act) to the effect that: The State Covenant shall be fully applicable to School Bonds and School Notes and may be included in any agreement with the Holders thereof. Nothing contained in this covenant shall be deemed to restrict the right of the State to amend, modify, repeal or otherwise alter statutes relating to the Building Aid, but such Building Aid shall in all events (i) continue to be so payable, as assigned, so long as any such Building Aid is paid and (ii) continue to be calculated in accordance with the same formula used for such calculation, and otherwise on the same basis as such aid is calculated, on the date that the applicable project is approved for reimbursement;

(d) the last paragraph of §99-b of the State Finance Law (as amended by the School Financing Act) to the effect that: The State hereby covenants with the Holders of the School Bonds and School Notes that it will not repeal, revoke or rescind the provisions of this section or amend or modify the same so as to limit, impair or impede the rights and remedies granted hereby; provided, however, that nothing in this section shall be deemed or construed as requiring the State to continue the payment of aid or assistance to any city, city school district or school district or as limiting or prohibiting the State from repealing or amending any law heretofore or hereafter enacted relating to aid or assistance, the manner and time of payment or apportionment thereof, or the amount thereof; and

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



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

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

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

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

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

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

The Trustee shall give notices of default under the City Covenant when instructed to do so by the written direction of another Fiduciary or the owners of at least 25% in principal amount of the Outstanding School Bonds; or if the Event of Default or other event is actually known to an Authorized Officer of the Trustee. The Trustee shall proceed under the remedy provisions of the Indenture for the benefit of the Holders in accordance with the written directions of a Majority in Interest of the Outstanding School Bonds.

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

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

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

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

*Paying Agents.* The Authority designates the Trustee a Paying Agent. The Authority may appoint additional Paying Agents, generally or for specific purposes, may discharge a Paying Agent from time to time and may appoint a successor. The Authority shall designate a successor if the Trustee ceases to serve as Paying Agent. Each Paying Agent shall be a bank or trust company eligible under the Act, and unless otherwise provided by Series Resolution, shall have a capital and surplus of not less than \$50,000,000 and be registered as a transfer agent with the Securities and Exchange Commission. The Authority shall give notice of the appointment of a successor to the Trustee as Paying Agent in writing to each Beneficiary shown on the books of the Trustee. A Paying Agent may but need not be the same person as the Trustee. Unless otherwise provided by the Authority, the Trustee as Paying Agent shall act as Bond and Note registrar and transfer agent. Each Paying Agent shall act as paying agent with respect to any allotments, apportionments or payments forwarded to it by the State pursuant to §99-b of the State Finance Law.

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

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

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

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

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

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

*Events of Default; Default.* "Event of Default" in the Indenture means any one of the events set forth below and "default" means any Event of Default without regard to any lapse of time or notice.

(a) The Authority shall fail to pay when due any interest, principal or redemption premium on a Note or Bond.

(b) The Authority shall fail to make any other required payment to the Trustee or other Fiduciary and such failure is not remedied within 7 days after written notice thereof is given by the Trustee or other Fiduciary to the Authority.

(c) The Authority shall fail to observe or perform any of its other agreements, covenants or obligations under the Indenture and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the Authority.

(d) Specified events of insolvency or bankruptcy of the Authority.

(e) The State shall (i) amend, alter, repeal or fail to comply with the State Covenant or its tax contract in the Act as in effect on the date of issuance of the first Series of Bonds or (ii) enact a moratorium or other similar law affecting the Bonds or Notes or (iii) amend, modify, repeal or otherwise alter, in any material respect, (y) the requirement of §1313 of the Tax Law that: "The comptroller, after reserving such refund fund and such costs shall, commencing on or before the fifteenth day of each month, pay to the New York City transitional finance authority on a daily basis the balance of Personal Income Taxes" or (z) the requirement of §2799-ii of the Act that: "To the extent that the tax revenues payable to the authority under section thirteen hundred thirteen of the tax law during such fiscal year are projected by the mayor to be insufficient to meet at least one hundred fifty percent of maximum annual debt service on authority bonds then outstanding, the mayor shall so notify the state comptroller and the state comptroller shall pay to the authority from" Alternative Revenues such amount as is necessary to provide at least 150% of the maximum annual debt service on the Bonds.

(f) The State Comptroller shall fail or refuse to comply with any provision of law in effect for the benefit of the Authority.

(g) The City shall fail to observe or perform any of its agreements, covenants or obligations under the Agreement for the benefit of the Holders and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the City and the Authority or by the Authority to the Trustee and the City.

(h) Any Officer's Certificate delivered pursuant to paragraph (c) described in "Accounts and Reports" above shall show estimated Revenues to be less than 150% of Debt Service.

*Remedies of the Trustee.* If an Event of Default occurs and is continuing: (1) The Trustee may, and upon written request of the Holders of 25% in principal amount of the Senior Bonds Outstanding shall, in its own name by action or proceeding in accordance with the Civil Practice Law and Rules: (a) enforce all rights of the Holders and

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

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

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

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

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

(2) sue upon such Bonds and Notes;

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

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

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

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

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

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

*Application of Money.* If available money in the Accounts is not sufficient on any day to pay all Debt Service, Subordinate Bonds and Subordinate Agreements then due or overdue, such money (subject to the payment of Bonds or Notes no longer Outstanding and to the priorities established by the Indenture) shall be applied *first* to the Trustee's fees and other costs of collecting and applying the Revenues and administering the accounts; *second* to the payment of interest, including interest on overdue principal, in the order in which the same became due (pro rata with respect to interest which became due at the same time), and if the amount available shall not be sufficient to pay in full any installment or installments of interest or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other; *third* to the payment of principal (including sinking fund installments) and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due), and if the amount available shall not be sufficient to pay in full all principal, premium or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other and, if the amount available shall not be sufficient to pay in full all principal due on any date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service, without priority or preference of any Bond over any other; and *fourth* to the payment of any Notes (to the extent not paid as Debt Service), Subordinate Bonds and Subordinate Agreements then due and, if the amounts available are insufficient to pay in full all such subordinated payment obligations, then to the payment thereof ratably, in accordance with the priorities established by the Indenture but otherwise without preference or priority of any such item over any other. For this purpose, Debt Service on Senior Agreements shall be characterized in accordance with their financial terms and interest on overdue principal shall be treated as coming due on the first day of each month. Whenever money is to be applied pursuant to this provision of the Indenture, such money shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Upon the exercise of such discretion the Trustee shall fix the date (which shall be the first of a month unless it deems another date more suitable) upon which such application is to be made, and upon such date interest on the principal then provided for shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. When interest or a portion of the principal is to be paid on an overdue Bond or Note, the Trustee may require presentation of the Bond or Note for endorsement of the payment.

*Supplements and Amendments.* (a) The Indenture may be

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

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

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

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

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

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

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

## THE AGREEMENT

The Agreement, including the Transitional Capital Plan attached thereto:

- (i) describes by reference to the capital budget of the City and the Act the particular Projects and Costs to be financed in whole or in part by the Authority;
- (ii) describes the plan for the financing of the Costs or Projects;
- (iii) sets forth the method for which and by whom and the terms and conditions upon which money provided by the Authority shall be distributed to the City, which disbursements shall occur, subject to receipt by the Authority of such documentation as to the costs being reimbursed as the Authority shall reasonably require, at least monthly;
- (iv) provides for the payment of such Costs by the City under such contracts as shall be awarded by the City or for the City to make a capital contribution of such proceeds as City funds to another entity for the payment or reimbursement of such Costs;
- (v) requires every contract entered into by the City, or another entity receiving funds from the City, for Projects or Costs to be financed in whole or in part by the Authority to be subject to the provisions of the City Charter and other applicable laws governing contracts of the City or such entity, as the case may be; and
- (vi) authorizes the Authority's assignment and pledge to the Trustee in trust for the benefit and security of the Bondholders and, to the extent specified in the Indenture, of Noteholders and the parties to ancillary and swap contracts of rights of the Authority under the Agreement.

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

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

*Separate Accounts and Records.* The Authority and the City represent and covenant, each for itself, that:

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

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

The Authority shall pay from the Project Fund the Costs of Issuance, including any expenses of the City in connection with the issuance of the Bonds and Notes that are approved by the Authority, and disburse funds to the City to finance, by payment or reimbursement, Project Capital Costs. When all Costs of Issuance and Project

Capital Costs have been paid or reimbursed, as evidenced by Officer's Certificates of the Authority and the City, any excess in the Project Fund shall promptly be paid to the Trustee for deposit in the Redemption Account.

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

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

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

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

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

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

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

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

*Statutory Pledge and Agreement ("City Covenant").* The City pledges and agrees with the Holders of the Outstanding Bonds and Notes that the City will not limit or alter the rights vested in the Authority by the Act to



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

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

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

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

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

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

*Amendment.* (A) The Agreement may be:

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

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

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

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

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

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**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**NEW YORK CITY TRANSITIONAL  
FINANCE AUTHORITY**

June 30, 2018 and 2017

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**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

**A COMPONENT UNIT OF THE CITY OF NEW YORK**

**Financial Statements  
(Together with Independent Auditors' Report)**

**June 30, 2018 and 2017**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

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

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

**JUNE 30, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Members of 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, 2018 and 2017, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the New York City Transitional Finance Authority as of June 30, 2018 and 2017, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Other Matter – Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Marks Paneth LLP*

New York, NY  
September 28, 2018

**MARKS PANETH**

ACCOUNTANTS & ADVISORS

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018 AND 2017 (unaudited)

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The following is a narrative overview and analysis of the financial activities of the New York City Transitional Finance Authority (the "Authority") as of June 30, 2018 and 2017, and for the years then ended. It should be read in conjunction with the Authority's government-wide financial statements, governmental funds financial statements and the notes to the financial statements. The annual financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the governmental funds financial statements; and (4) the notes to the financial statements.

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

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

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

### **Future Tax Secured Bonds**

The Authority's original authorizing legislation limited the amount of Authority debt issued for The City of New York's (the "City") general capital purposes ("Future Tax Secured Bonds" or "FTS Bonds") at \$7.5 billion, (excluding Recovery Bonds, discussed below) which was amended several times to reach a total of \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permitted the Authority to have in addition to the outstanding \$13.5 billion of FTS Bonds, (excluding Recovery Bonds); the ability to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. At the end of fiscal year 2018, the City's and the Authority's remaining combined debt-incurring capacity was approximately \$27.2 billion.

In fiscal years 2018 and 2017, the Authority issued \$3.8 billion and \$5.2 billion, respectively, of FTS Bonds. The Authority had Future Tax Secured Senior Bonds outstanding of \$788 million and \$990 million and Subordinate bonds (excluding Recovery Bonds) of \$33.9 billion and \$31.0 billion as of June 30, 2018 and 2017, respectively.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018 AND 2017 (unaudited) (continued)

### Future Tax Secured Bonds (continued)

The Authority is also authorized to have outstanding up to \$2.5 billion of bonds and notes to pay costs arising from the World Trade Center attack on September 11, 2001 ("Recovery Bonds"). The Authority had Recovery Bonds outstanding as of June 30, 2018 and 2017, of \$682 million and \$800 million, respectively.

Build America Bonds ("BABs") and Qualified School Construction Bonds ("QSCBs") are taxable bonds that were created under the American Recovery and Reinvestment Act of 2009 ("ARRA" or "Stimulus Act") whereby the Authority receives a cash subsidy from the United States Treasury to pay related bond interest. In fiscal years 2018 and 2017, the Authority recognized subsidy payments of \$52.7 million and \$53.2 million on its BABs, respectively, and \$47.9 million and \$47.8 million on its QSCBs, respectively. Subsidy payments have been discounted due to the federal budget sequestration; the latest discount was 6.6% beginning in October 2017. The proceeds of the BABs were used to finance the City's capital expenditures and the QSCBs proceeds were used to finance the City's educational facilities.

The following summarizes the debt service activity for FTS Bonds in fiscal year 2018:

	Outstanding Principal Balance at June 30, 2017		Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2018	Total Interest Payments FY 2018
	(in thousands)						
<b>Senior FTS Bonds</b>	\$ 989,775	\$ -	\$ -	\$ (201,950)	\$ -	\$ 787,825	\$ 54,261
Subordinate FTS Bonds:							
Recovery Bonds	800,165	-	-	(118,025)	-	682,140	14,320
Parity Bonds	26,929,740	3,776,075	-	(811,160)	-	29,894,655	1,081,451
Build America Bonds	2,956,990	-	-	(47,900)	-	2,909,090	161,938
Qualified School Construction Bonds	1,137,340	-	-	-	-	1,137,340	51,335
<b>Subtotal - Subordinate FTS Bonds</b>	<b>31,824,235</b>	<b>3,776,075</b>	<b>-</b>	<b>(977,085)</b>	<b>-</b>	<b>34,623,225</b>	<b>1,309,044</b>
<b>Total FTS Bonds Payable</b>	<b>\$ 32,814,010</b>	<b>\$ 3,776,075</b>	<b>\$ -</b>	<b>\$ (1,179,035)</b>	<b>\$ -</b>	<b>\$ 35,411,050</b>	<b>\$ 1,363,305</b>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018 AND 2017 (unaudited) (continued)

### Future Tax Secured Bonds (continued)

The following summarizes the debt service activity for FTS Bonds in fiscal year 2017:

	Outstanding Principal Balance at June 30, <u>2016</u>		Issued/ <u>Converted</u>	Principal <u>Retired</u>	Principal <u>Defeased</u>	Outstanding Principal Balance at June 30, <u>2017</u>	Total Interest Payments <u>FY 2017</u>
	(in thousands)						
<b>Senior FTS Bonds</b>	\$ 1,034,610	\$ -	\$ -	\$ (44,550)	\$ (285)	\$ 989,775	\$ 55,808
Subordinate FTS Bonds:							
Recovery Bonds	906,425	-	-	(106,260)	-	800,165	13,946
Parity Bonds	23,248,795	5,233,595	-	(690,040)	(862,610)	26,929,740	910,012
Build America Bonds	2,986,555	-	-	(29,565)	-	2,956,990	163,440
Qualified School Construction Bonds	1,137,340	-	-	-	-	1,137,340	51,335
<b>Subtotal - Subordinate FTS Bonds</b>	<b>28,279,115</b>	<b>5,233,595</b>		<b>(825,865)</b>	<b>(862,610)</b>	<b>31,824,235</b>	<b>1,138,733</b>
<b>Total FTS Bonds Payable</b>	<b>\$ 29,313,725</b>	<b>\$ 5,233,595</b>		<b>\$ (870,415)</b>	<b>\$ (862,895)</b>	<b>\$ 32,814,010</b>	<b>\$ 1,194,541</b>

### Building Aid Revenue Bonds

The Authority is also authorized to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds, notes or other obligations ("BARBs"), secured by building aid from the State of New York (the "State") that is received by the Authority pursuant to an assignment with 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 for the City's school system's five-year educational facilities capital plan and to pay the Authority's administrative expenses. In fiscal year 2018, the Authority issued \$2.1 billion of BARBs, but did not issue BARBs in fiscal year 2017. BARBs outstanding as of both June 30, 2018 and 2017 were \$7.9 billion.

In both fiscal years 2018 and 2017, the Authority recognized subsidy payments of \$6.5 million on its BABs and \$9.1 million on its QSCBs.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017 (unaudited) (continued)**

**Building Aid Revenue Bonds (continued)**

The following summarizes the debt service activity for BARBs in fiscal year 2018:

	Outstanding Principal Balance at June 30, 2017	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2018	Total Interest Payments FY 2018
	(in thousands)					
Building Aid Revenue Bonds	\$ 7,385,885	\$ 2,083,255	\$ (184,145)	\$ (1,836,490)	\$ 7,448,505	\$ 355,939
Build America Bonds	295,750	-	-	-	295,750	20,018
Qualified School Construction Bonds	200,000	-	-	-	200,000	9,800
<b>Total BARBs Payable</b>	<b>\$ 7,881,635</b>	<b>\$ 2,083,255</b>	<b>\$ (184,145)</b>	<b>\$ (1,836,490)</b>	<b>\$ 7,944,255</b>	<b>\$ 385,757</b>

The following summarizes the debt service activity for BARBs in fiscal year 2017:

	Outstanding Principal Balance at June 30, 2016	Issued/ Converted	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2017	Total Interest Payments FY 2017
	(in thousands)					
Building Aid Revenue Bonds	\$ 7,548,005	\$ -	\$ (162,120)	\$ -	\$ 7,385,885	\$ 362,974
Build America Bonds	295,750	-	-	-	295,750	20,018
Qualified School Construction Bonds	200,000	-	-	-	200,000	9,800
<b>Total BARBs Payable</b>	<b>\$ 8,043,755</b>	<b>\$ -</b>	<b>\$ (162,120)</b>	<b>\$ -</b>	<b>\$ 7,881,635</b>	<b>\$ 392,792</b>

In accordance with GASB standards, the building aid revenue is treated, for reporting purposes, as City revenue pledged to the Authority. Under the criteria established by GASB, the assignment of building aid revenue by the City to the Authority is considered a collateralized borrowing, due to the City's continuing involvement necessary for collection of the building aid. The Authority reports as an asset (Due from New York City — future State building aid) for the cumulative amount it has distributed to the City for the educational facilities capital plan, offset by 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 other financing (uses) of funds.

The Authority retains sufficient building aid revenue to service the BARBs debt and to pay its administrative expenses in accordance with the Indenture. Building aid retained by the Authority is treated as other financing sources, as the amount retained is accounted for as a repayment of the amounts treated as loaned to the City.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018 AND 2017 (unaudited) (continued)

### Building Aid Revenue Bonds (continued)

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
	-----in thousands-----		
Building aid received from New York State	\$ 1,211,249	\$ 1,140,203	\$ 1,094,110
Building aid remitted to New York City	(523,887)	(564,455)	(488,156)
Total retained for BARBs debt service and operating expenses	<u>\$ 687,362</u>	<u>\$ 575,748</u>	<u>\$ 605,954</u>

### **Financial Highlights And Overall Analysis — Government-Wide Financial Statements**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
	-----in thousands-----			<u>2018/2017</u>	<u>2017/2016</u>
Revenues:					
Personal income tax retained	\$ 181,410	\$ 297,251	\$ 180,290	\$ (115,841)	\$ 116,961
Unrestricted grants	2,174,300	2,021,568	1,733,769	152,732	287,799
Federal subsidy	116,275	116,657	116,903	(382)	(246)
Investment earnings	33,131	5,910	8,466	27,221	(2,556)
Other	730	-	-	730	-
Total revenues	<u>2,505,846</u>	<u>2,441,386</u>	<u>2,039,428</u>	<u>64,460</u>	<u>401,958</u>
Expenses:					
Distributions to New York City for general capital program	3,478,373	4,721,999	3,984,060	(1,243,626)	737,939
Bond interest	1,544,893	1,425,751	1,300,474	119,142	125,277
Other	162,358	167,033	166,459	(4,675)	574
Total expenses	<u>5,185,624</u>	<u>6,314,783</u>	<u>5,450,993</u>	<u>(1,129,159)</u>	<u>863,790</u>
Change in net position (deficit)	(2,679,778)	(3,873,397)	(3,411,565)	1,193,619	(461,832)
Net position (deficit) - beginning of year	<u>(35,023,969)</u>	<u>(31,150,572)</u>	<u>(27,739,007)</u>	<u>(3,873,397)</u>	<u>(3,411,565)</u>
Net position (deficit) - end of year	<u>\$ (37,703,747)</u>	<u>\$ (35,023,969)</u>	<u>\$ (31,150,572)</u>	<u>\$ (2,679,778)</u>	<u>\$ (3,873,397)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017 (unaudited) (continued)**

**Financial Highlights And Overall Analysis — Government-Wide Financial Statements**  
**(continued)**

In fiscal year 2018, the Authority received an unrestricted grant from the City in the amount of \$2.2 billion. These funds will be used to fund FTS Bonds' future years debt service requirements to reduce the amount of personal income tax ("PIT") retained for such purpose. In fiscal year 2017, the Authority received an unrestricted grant from the City in the amount of \$1.9 billion and a grant from Hudson Yards Infrastructure Corporation ("HYIC") in the amount of \$112.8 million. These funds were used to fund FTS Bonds' future years debt service requirements which reduced the amount of personal income tax retained for such purpose.

In fiscal years 2018, 2017 and 2016, the Authority earned subsidy payments on its BABs and QSCBs, which fluctuate each year due to the changes in the amount of bonds outstanding and changes on the discounted rate for federal budget sequestration.

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

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

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

Other expenses consist primarily of the Authority's administrative expenses, federal subsidies transferred to the City, and costs of issuance. The fluctuations in each fiscal year was primarily due to the changes in costs of issuance associated with the issuance of new bonds and changes in federal subsidies transferred to the City.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
				<u>2018/2017</u>	<u>2017/2016</u>
	-----in thousands-----				
Assets	\$ 10,192,176	\$ 10,413,900	\$ 9,462,789	\$ (221,724)	\$ 951,111
Deferred outflows of resources	40,859	82,287	73,446	(41,428)	8,841
Liabilities:					
Current liabilities	3,168,873	3,528,789	2,234,955	(359,916)	1,293,834
Non-current liabilities	44,767,909	41,991,367	38,451,852	2,776,542	3,539,515
Total liabilities	<u>47,936,782</u>	<u>45,520,156</u>	<u>40,686,807</u>	<u>2,416,626</u>	<u>4,833,349</u>
Net position (deficit):					
Restricted	697,941	203,391	12,383	494,550	191,008
Unrestricted	<u>(38,401,688)</u>	<u>(35,227,360)</u>	<u>(31,162,955)</u>	<u>(3,174,328)</u>	<u>(4,064,405)</u>
Total net position (deficit)	<u>\$ (37,703,747)</u>	<u>\$ (35,023,969)</u>	<u>\$ (31,150,572)</u>	<u>\$ (2,679,778)</u>	<u>\$ (3,873,397)</u>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018 AND 2017 (unaudited) (continued)

### Financial Highlights And Overall Analysis — Government-Wide Financial Statements (continued)

Total assets decreased between fiscal years 2018 and 2017 primarily due to the decrease BARBs debt service funds and capital project funds held. Total assets increased between fiscal years 2017 and 2016 primarily due to the increase in unrestricted grant received from the City and capital project funds held.

The deferred outflows of resources represent the difference between removing the carrying amount of refunded bonds and the recording of the new bonds. The deferred outflows of resource fluctuate each year based on the amount of bonds refunded and the amortization scheduled.

Total liabilities increased in fiscal years 2018, 2017 and 2016 primarily due to the issuance of new bonds.

### Financial Highlights And Overall Analysis — Governmental Funds Financial Statements

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

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

	2018	2017	2016	Variance	
				2018/2017	2017/2016
	-----in thousands-----				
Revenues	\$ 136,861	\$ 143,439	\$ 142,323	\$ (6,578)	\$ 1,116
Expenditures	139,111	140,915	141,837	(1,804)	(922)
Other financing sources	384	316	380	68	(64)
Net change in fund balances	(1,866)	2,840	866	(4,706)	1,974
Fund balance - beginning of year	7,765	4,925	4,059	2,840	866
Fund balance - end of year	<u>\$ 5,899</u>	<u>\$ 7,765</u>	<u>\$ 4,925</u>	<u>\$ (1,866)</u>	<u>\$ 2,840</u>

GF revenues fluctuate each year based on the PIT retained for administrative expenses and federal interest subsidies received. Expenditures fluctuated each year for administrative expenses and the amount of federal subsidies transferred to the City.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017 (unaudited) (continued)**

**Financial Highlights And Overall Analysis — Governmental Funds Financial Statements**  
**(continued)**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
				<u>2018/2017</u>	<u>2017/2016</u>
	-----in thousands-----				
Revenues	\$ 358	\$ -	\$ 355	\$ 358	\$ (355)
Expenditures	2,569	(60)	4,301	2,629	(4,361)
Other financing sources (uses)	2,124	-	4,010	2,124	(4,010)
Net change in fund balances	(87)	60	64	(147)	(4)
Fund balance - beginning of year	93	33	(31)	60	64
Fund balance - end of year	<u>\$ 6</u>	<u>\$ 93</u>	<u>\$ 33</u>	<u>\$ (87)</u>	<u>\$ 60</u>

The Authority's bond proceeds and distributions to the City are reported as other financing sources and (uses) in the governmental funds. In fiscal years 2018 and 2016, BARBs proceeds were transferred to the City to pay certain educational facilities capital program expenditures. In fiscal year 2017, the Authority did not issue any BARBs.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
				<u>2018/2017</u>	<u>2017/2016</u>
	-----in thousands-----				
Revenues	\$ 5,550	\$ 1,766	\$ 909	\$ 3,784	\$ 857
Expenditures	3,491,338	4,743,582	4,002,415	(1,252,244)	741,167
Other financing sources (uses)	3,980,425	4,932,764	3,949,404	(952,339)	983,360
Net change in fund balances	494,637	190,948	(52,102)	303,689	243,050
Fund balance - beginning of year	203,298	12,350	64,452	190,948	(52,102)
Fund balance - end of year	<u>\$ 697,935</u>	<u>\$ 203,298</u>	<u>\$ 12,350</u>	<u>\$ 494,637</u>	<u>\$ 190,948</u>

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

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018 AND 2017 (unaudited) (continued)

### Financial Highlights And Overall Analysis — Governmental Funds Financial Statements (continued)

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
				<u>2018/2017</u>	<u>2017/2016</u>
	-----in thousands-----				
Revenues	\$ 5,243	\$ 598	\$ 4,712	\$ 4,645	\$ (4,114)
Expenditures	2,204,096	554,912	486,102	1,649,184	68,810
Other financing sources (uses)	1,924,399	555,423	494,978	1,368,976	60,445
Net change in fund balances	(274,454)	1,109	13,588	(275,563)	(12,479)
Fund balance - beginning of year	876,180	875,071	861,483	1,109	13,588
Fund balance - end of year	<u>\$ 601,726</u>	<u>\$ 876,180</u>	<u>\$ 875,071</u>	<u>\$ (274,454)</u>	<u>\$ 1,109</u>

Revenues in the BARBs DSF fluctuate each year due to changes in interest rates and market valuation of holdings. Expenditures are primarily the debt service payments on outstanding BARBs. The other financing sources (uses) consist primarily of State building aid retained by the Authority in fiscal years 2018, 2017 and 2016, respectively.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Variance</u>	
				<u>2018/2017</u>	<u>2017/2016</u>
	-----in thousands-----				
Revenues	\$ 2,357,248	\$ 2,295,677	\$ 1,890,978	\$ 61,571	\$ 404,699
Expenditures	2,542,767	2,088,557	1,781,990	454,210	306,567
Other financing sources (uses)	568,962	67,126	114,585	501,836	(47,459)
Net change in fund balances	383,443	274,246	223,573	109,197	50,673
Fund balance - beginning of year	2,423,230	2,148,984	1,925,411	274,246	223,573
Fund balance - end of year	<u>\$ 2,806,673</u>	<u>\$ 2,423,230</u>	<u>\$ 2,148,984</u>	<u>\$ 383,443</u>	<u>\$ 274,246</u>

In fiscal years 2018, 2017 and 2016, the FTS Bonds DSF revenue primarily consisted of grants from the City and PIT retained by the Authority. The increase in each fiscal year was mainly due to the increase of unrestricted grant received from the City.

# **NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

(A Component Unit of The City of New York)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018 AND 2017 (unaudited) (continued)**

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### **Financial Highlights And Overall Analysis — Governmental Funds Financial Statements (continued)**

Expenditures increased in fiscal year 2018 over 2017 mainly due to a \$477 million increase of principal and interest payments on FTS bonds. Expenditures increased in fiscal year 2017 over 2016 mainly due to a \$297 million increase of principal and interest payments on FTS bonds. Other financing sources (uses) consist primarily of the proceeds from refunding and reoffering of FTS Bonds and payments of refunded FTS bonds. The amount fluctuates each year based on the size of the refunding.

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

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**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

(A Component Unit of The City of New York)

**STATEMENTS OF NET POSITION (DEFICIT)**

**AS OF JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
	<b>(in thousands)</b>	
<b>ASSETS:</b>		
Unrestricted cash and cash equivalents	\$ 9,579	\$ 90,252
Restricted cash and cash equivalents	916,998	1,806,773
Unrestricted investments	2,469,622	1,921,154
Restricted investments	875,708	746,627
Due from New York City - future State building aid	4,934,917	5,064,874
Personal income tax receivable from New York State	925,711	753,222
Federal interest subsidy receivable	30,387	30,531
Other	29,254	467
	<hr/>	<hr/>
Total assets	10,192,176	10,413,900
	<hr/>	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Unamortized deferred bond refunding costs	40,859	82,287
	<hr/>	<hr/>
Total deferred outflows of resources	40,859	82,287
	<hr/>	<hr/>
<b>LIABILITIES:</b>		
Personal income tax payable to New York City	925,711	753,222
Distribution payable to New York City capital programs	184,523	1,050,020
Accrued expenses	4,399	4,687
Accrued interest payable	581,865	536,455
Bonds payable:		
Portion due within one year	1,472,375	1,184,405
Portion due after one year	44,767,909	41,991,367
	<hr/>	<hr/>
Total liabilities	47,936,782	45,520,156
	<hr/>	<hr/>
<b>NET POSITION (DEFICIT):</b>		
Restricted for capital projects	697,941	203,391
Unrestricted (deficit)	(38,401,688)	(35,227,360)
	<hr/>	<hr/>
Total net position (deficit)	\$ (37,703,747)	\$ (35,023,969)
	<hr/>	<hr/>

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

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

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
	(in thousands)	
<b>REVENUES:</b>		
Personal income tax revenue	\$ 13,605,654	\$ 11,090,809
Less remittances to New York City	(13,424,244)	(10,793,558)
Personal income tax revenue retained	181,410	297,251
Unrestricted grants	2,174,300	2,021,568
Federal interest subsidy	116,275	116,657
Investment earnings	33,131	5,910
Gain on defeasance	730	-
Total revenues	2,505,846	2,441,386
<b>EXPENSES:</b>		
General and administrative expenses	22,692	24,164
Distribution to New York City for general capital program	3,478,373	4,721,999
Distribution of federal interest subsidy to New York City	116,419	116,751
Cost of debt issuance	23,247	25,727
Bond interest	1,544,893	1,425,751
Loss on defeasance	-	391
Total expenses	5,185,624	6,314,783
Change in net position (deficit)	(2,679,778)	(3,873,397)
NET POSITION (DEFICIT) - beginning of year	(35,023,969)	(31,150,572)
NET POSITION (DEFICIT) - end of year	\$ (37,703,747)	\$ (35,023,969)

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

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

**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AS OF JUNE 30, 2018**

(in thousands)

	Capital Projects		Debt Service		Total Governmental Funds	
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds		Future Tax Secured
<b>ASSETS:</b>						
Unrestricted cash and cash equivalents	\$ 8,815	\$ -	\$ -	\$ -	\$ 764	\$ 9,579
Restricted cash and cash equivalents	-	276	516,188	117,323	283,211	916,998
Restricted investments	-	-	366,721	455,900	53,087	875,708
Unrestricted investments	-	-	-	-	2,469,622	2,469,622
Personal income tax receivable from New York State	-	-	-	-	925,711	925,711
Other	384	-	-	29,254	-	29,638
Total assets	<u>\$ 9,199</u>	<u>\$ 276</u>	<u>\$ 882,909</u>	<u>\$ 602,477</u>	<u>\$ 3,732,395</u>	<u>\$ 5,227,256</u>
<b>LIABILITIES:</b>						
Accrued expenses payable	\$ 3,300	\$ 270	\$ 451	\$ 751	\$ 11	\$ 4,783
Distribution payable to New York City for capital programs	-	-	184,523	-	-	184,523
Personal income tax payable to New York City	-	-	-	-	63,711	63,711
Total liabilities	<u>3,300</u>	<u>270</u>	<u>184,974</u>	<u>751</u>	<u>63,722</u>	<u>253,017</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable personal income tax revenue	-	-	-	-	862,000	862,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>862,000</u>	<u>862,000</u>
<b>FUND BALANCES:</b>						
Restricted for:						
Capital distribution to New York City	-	6	697,935	-	-	697,941
Debt service	-	-	-	601,726	336,287	938,013
Unrestricted for:						
Assigned for debt service	-	-	-	-	2,470,386	2,470,386
Unassigned	5,899	-	-	-	-	5,899
Total fund balances	<u>5,899</u>	<u>6</u>	<u>697,935</u>	<u>601,726</u>	<u>2,806,673</u>	<u>4,112,239</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,199</u>	<u>\$ 276</u>	<u>\$ 882,909</u>	<u>\$ 602,477</u>	<u>\$ 3,732,395</u>	<u>\$ 5,227,256</u>

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

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

**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AS OF JUNE 30, 2017**

(in thousands)

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
<b>ASSETS:</b>						
Unrestricted cash and cash equivalents	\$ 11,197	\$ -	\$ -	\$ -	\$ 79,055	\$ 90,252
Restricted cash and cash equivalents	-	178	1,229,148	260,777	316,670	1,806,773
Restricted investments	-	-	24,915	601,161	120,551	746,627
Unrestricted investments	-	-	-	14,091	1,907,063	1,921,154
Personal income tax receivable from New York State	-	-	-	-	753,222	753,222
Other	316	-	-	467	-	783
Total assets	<u>\$ 11,513</u>	<u>\$ 178</u>	<u>\$ 1,254,063</u>	<u>\$ 876,496</u>	<u>\$ 3,176,561</u>	<u>\$ 5,318,811</u>
<b>LIABILITIES:</b>						
Accrued expense payable	\$ 3,748	\$ 85	\$ 745	\$ 316	\$ 109	\$ 5,003
Distribution payable to New York City for capital programs	-	-	1,050,020	-	-	1,050,020
Personal income tax payable to New York City	-	-	-	-	78,222	78,222
Total liabilities	<u>3,748</u>	<u>85</u>	<u>1,050,765</u>	<u>316</u>	<u>78,331</u>	<u>1,133,245</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable personal income tax revenue	-	-	-	-	675,000	675,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,000</u>	<u>675,000</u>
<b>FUND BALANCES:</b>						
Restricted for:						
Capital distribution to New York City	-	93	203,298	-	-	203,391
Debt service	-	-	-	862,090	437,112	1,299,202
Unrestricted for:						
Assigned for debt service	-	-	-	14,090	1,986,118	2,000,208
Unassigned	7,765	-	-	-	-	7,765
Total fund balances	<u>7,765</u>	<u>93</u>	<u>203,298</u>	<u>876,180</u>	<u>2,423,230</u>	<u>3,510,566</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,513</u>	<u>\$ 178</u>	<u>\$ 1,254,063</u>	<u>\$ 876,496</u>	<u>\$ 3,176,561</u>	<u>\$ 5,318,811</u>

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

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION (DEFICIT) AS OF JUNE 30, 2018 AND 2017

	2018	2017
	(in thousands)	
Total fund balances - governmental funds	\$ 4,112,239	\$ 3,510,566
Amounts reported for governmental activities in the statements of net position (deficit) are different because:		
Bond premiums are reported as other financing sources in the governmental funds financial statements when received. However, in the statements of net position (deficit), bond premiums are reported as a component of bonds payable and amortized over the life of the bonds.	(2,884,979)	(2,480,127)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy applicable to the accrued bond interest is receivable as of fiscal year end. However, in the governmental funds balance sheets where no bond interest is reported as payable until due, no subsidy receivable is reported.	30,387	30,531
BARBs proceeds are reported as an other financing sources in the governmental funds financial statements. However, in the statements of net position (deficit), they are reported as due from the City.	4,934,917	5,064,874
Some liabilities are not due and payable in the current period from financial resources available currently at year-end and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net position (deficit). Those liabilities consist of:		
Bonds payable	(43,355,305)	(40,695,645)
Accrued interest payable	(581,865)	(536,455)
Costs of bond refundings are reported as expenditures in governmental funds financial statements. However, in the statements of net position (deficit), those costs and the related gain or loss are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.	40,859	82,287
Net position (deficit) of governmental activities	\$ (37,703,747)	\$ (35,023,969)

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



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

**GOVERNMENTAL FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

(in thousands)

	Capital Projects			Debt Service		Total Governmental Funds
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds	Future Tax Secured	
<b>REVENUES:</b>						
Personal income tax revenue	\$ 20,250	\$ -	\$ -	\$ -	\$ 13,398,404	\$ 13,418,654
Less remittances to New York City	-	-	-	-	(13,237,244)	(13,237,244)
Personal income tax revenue retained	20,250	-	-	-	161,160	181,410
Unrestricted grants	-	-	-	-	2,174,300	2,174,300
Federal interest subsidy	116,419	-	-	-	-	116,419
Investment earnings	192	358	5,550	5,243	21,788	33,131
Total revenues	136,861	358	5,550	5,243	2,357,248	2,505,260
<b>EXPENDITURES:</b>						
Bond interest	-	-	-	385,757	1,363,305	1,749,062
Costs of debt issuance	-	2,569	12,965	7,286	427	23,247
Distributions to New York City for general capital program	-	-	3,478,373	-	-	3,478,373
Distributions of federal interest subsidy to New York City	116,419	-	-	-	-	116,419
Defeasance escrow	-	-	-	1,626,908	-	1,626,908
Principal amount of bonds retired	-	-	-	184,145	1,179,035	1,363,180
General and administrative expenses	22,692	-	-	-	-	22,692
Total expenditures	139,111	2,569	3,491,338	2,204,096	2,542,767	8,379,881
<b>Deficiency of revenues over expenditures</b>	(2,250)	(2,211)	(3,485,788)	(2,198,853)	(185,519)	(5,874,621)
<b>OTHER FINANCING SOURCES (USES):</b>						
Principal amount of bonds issued	-	500,000	3,615,000	-	-	4,115,000
Distributions to New York City for educational facilities capital programs	-	(557,406)	-	-	-	(557,406)
Refunding bond proceeds	-	-	-	1,583,255	161,075	1,744,330
Bond premium, net of discount	-	59,969	367,230	258,158	37,958	723,315
Payments of refunded bonds	-	-	-	(236,307)	-	(236,307)
Transfer from New York City - building aid	-	-	-	687,362	-	687,362
Transfers in (out)	384	(439)	(1,805)	(368,069)	369,929	-
Total other financing sources (uses)	384	2,124	3,980,425	1,924,399	568,962	6,476,294
Net changes in fund balances	(1,866)	(87)	494,637	(274,454)	383,443	601,673
FUND BALANCES - beginning of year	7,765	93	203,298	876,180	2,423,230	3,510,566
FUND BALANCES - end of year	\$ 5,899	\$ 6	\$ 697,935	\$ 601,726	\$ 2,806,673	\$ 4,112,239

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

**NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY**

(A Component Unit of The City of New York)

**GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

(in thousands)

	Capital Projects		Debt Service		Total Governmental Funds	
	General Fund	Building Aid Revenue Bonds	Future Tax Secured	Building Aid Revenue Bonds		Future Tax Secured
<b>REVENUES:</b>						
Personal income tax revenue	\$ 26,615	\$ -	\$ -	\$ -	\$ 11,065,194	\$ 11,091,809
Less remittances to New York City	-	-	-	-	(10,794,558)	(10,794,558)
Personal income tax revenue retained	26,615	-	-	-	270,636	297,251
Unrestricted grants	-	-	-	-	2,021,568	2,021,568
Federal interest subsidy	116,751	-	-	-	-	116,751
Investment earnings	73	-	1,766	598	3,473	5,910
Total revenues	143,439	-	1,766	598	2,295,677	2,441,480
<b>EXPENDITURES:</b>						
Bond interest	-	-	-	392,792	1,194,541	1,587,333
Costs of debt issuance	-	(60)	21,583	-	-	21,523
Distributions to New York City for general capital program	-	-	4,721,999	-	-	4,721,999
Distributions of federal interest subsidy to New York City	116,751	-	-	-	-	116,751
Defeasance escrow	-	-	-	-	19,397	19,397
Principal amount of bonds retired	-	-	-	162,120	870,415	1,032,535
Refunding bond issuance costs	-	-	-	-	4,204	4,204
General and administrative expenses	24,164	-	-	-	-	24,164
Total expenditures	140,915	(60)	4,743,582	554,912	2,088,557	7,527,906
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,524</b>	<b>60</b>	<b>(4,741,816)</b>	<b>(554,314)</b>	<b>207,120</b>	<b>(5,086,426)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Principal amount of bonds issued	-	-	4,400,000	-	-	4,400,000
Refunding bond proceeds	-	-	-	-	833,595	833,595
Bond premium, net of discount	-	-	533,758	-	120,907	654,665
Payments of refunded bonds	-	-	-	-	(908,379)	(908,379)
Transfer from New York City - building aid	-	-	-	575,748	-	575,748
Transfers in (out)	316	-	(994)	(20,325)	21,003	-
Total other financing sources (uses)	316	-	4,932,764	555,423	67,126	5,555,629
Net changes in fund balances	2,840	60	190,948	1,109	274,246	469,203
FUND BALANCES - beginning of year	4,925	33	12,350	875,071	2,148,984	3,041,363
FUND BALANCES - end of year	\$ 7,765	\$ 93	\$ 203,298	\$ 876,180	\$ 2,423,230	\$ 3,510,566

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

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

**RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
	(in thousands)	
Net change in fund balances - total governmental funds	\$ 601,673	\$ 469,203
Amounts reported for governmental activities in the statements of activities are different because:		
Bond proceeds provide current financial resources to governmental funds financial statements but bonds issued increase long-term liabilities on the statements of net position (deficit).	(4,115,000)	(4,400,000)
Refunding bond proceeds and payments to refunded bond escrows are reported as other financing sources (uses) in the governmental funds financial statements, but increase and decrease long-term liabilities in the statements of net position (deficit).	(1,508,023)	74,784
The governmental funds financial statements report costs of bond refundings as expenditures. However, in the statements of activities, the costs of bond refundings are amortized over the shorter of the life of the bonds refunded or the life of the bonds issued to advance refund the bonds.	(7,347)	(9,461)
Payment (including defeasance) of bond principal is an expenditure in the governmental funds financial statements, but the payment reduces long-term liabilities in the statements of net position (deficit).	2,990,088	1,051,932
Payments to defease bonds prior to maturity are reported as expenditures in the governmental funds financial statements. However, in the statements of net position (deficit), only the difference between the carrying value of the defeased bonds and the amount paid to defease the bonds are reported as period revenues or expenses.	730	(391)
The governmental funds financial statements report bond premiums/discounts as other financing sources (uses). However, in the statements of activities, bond premiums/discounts are amortized over the lives of the related debt as interest expense.	(460,033)	(425,597)
Distributions to the City's educational facilities capital program from BARBs proceeds are reported as an other financing sources (uses) in governmental funds financial statements. However, in the statements of net position (deficit), distributions of BARBs proceeds are reported as due from New York City-future State building aid.	557,406	-
Retention of building aid is reported similar to a transfer from the City, as an other financing sources (uses) in the governmental funds financial statements. However, in the statements of activities, building aid retained is reported as a reduction of the amount due from New York City-future State building aid.	(687,362)	(575,748)
Federal interest subsidy on BABs and QSCBs is recognized when the related bond interest cost is reported. On the statements of activities, the subsidy revenue in the amount applicable to the accrued bond interest expense is accrued as of fiscal year end. However, in the governmental funds financial statements where interest expenditure is reported when due, no subsidy revenue is accrued as of year end.	(144)	(94)
Interest is reported on the statements of activities on the accrual basis. However, interest is reported as an expenditure in the governmental funds financial statements when the outlay of financial resources is due.	(51,766)	(58,025)
Change in net position (deficit) - governmental activities	\$ (2,679,778)	\$ (3,873,397)

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

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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### 1. Organization and Nature of Activities

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

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

The Authority’s original authorizing legislation limited the amount of Authority debt issued for the City’s general capital purposes (FTS Bonds) at \$7.5 billion, (excluding Recovery Bonds, discussed below) which was amended several times to reach a total of \$13.5 billion. On July 11, 2009, subsequent authorizing legislation was enacted under Chapter 182 of the Laws of New York, 2009, which permitted the Authority to have in addition to the outstanding \$13.5 billion of FTS Bonds (excluding Recovery Bonds) the ability to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. At the end of fiscal year 2018, the City’s and the Authority’s remaining combined debt incurring capacity was approximately \$27.2 billion. On September 13, 2001, the State Legislature authorized the Authority to have outstanding an additional \$2.5 billion of bonds and notes (“Recovery Bonds”) to fund the City’s costs related to and arising from events on September 11, 2001 at the World Trade Center, notwithstanding the limits discussed above.

State legislation enacted in April 2006 enabled the Authority to have outstanding up to \$9.4 billion of Building Aid Revenue Bonds (“BARBs”), notes or other obligations for purposes of funding the City school system’s costs of its five-year educational facilities capital plan and pay 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.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS (continued)  
JUNE 30, 2018 AND 2017

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## 2. Summary of Significant Accounting Policies

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

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

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

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

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

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

Fund balances which are constrained for use for a specific purpose based on the direction of any officer of the Authority duly authorized under its bond indenture to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment. Authorized officers allowed to assign funds are comprised of the Executive Director, Comptroller, Treasurer, Secretary, Deputy Comptroller, Assistant Secretaries and Assistant Treasurer.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

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### 2. Summary of Significant Accounting Policies (continued)

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

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

- C. Bond and bond anticipation note premiums and discounts are capitalized and amortized over the lives of the related debt using the interest method in the government-wide financial statements. The governmental funds financial statements recognize the premiums and discounts, as well as debt issuance costs, during the current period. Bond premiums and discounts are presented as additions or reductions to the face amount of the bonds payable. Bond issuance costs are recognized in the period incurred both on the government-wide and governmental funds financial statements.
- D. Deferred bond refunding costs represent the accounting loss incurred in a current or advance refunding of outstanding bonds and are reported as a deferred outflow of resources on the government-wide financial statements. The deferred bond refunding costs are amortized over the shorter of the remaining life of the old debt or the life of the new debt.
- E. Interest expense is recognized on the accrual basis in the government-wide financial statements. Interest expenditures are recognized when bond interest is due in the governmental funds financial statements.
- F. The Authority receives the City personal income taxes, imposed pursuant to the State law and collected on behalf of the Authority by the State, to service its future tax secured debt and pay a portion of its administrative expenses. Funds for FTS Bonds debt service are required to be set aside prior to the due date of the principal and interest. Personal income taxes in excess of amounts needed to pay debt service and administrative expenses of the Authority are available to be remitted to the City. In fiscal years 2018 and 2017, the Authority received unrestricted grants for future debt service payments and reduced the amount of PIT retained for such purpose as described in Note 6.
- G. The Authority receives building aid payments by the State, subject to State annual appropriation, pursuant to the assignment by the City of the building aid payments to the Authority to service its building aid revenue bonds and pay a portion of its administrative expenses. Due to the City's continuing involvement necessary for the collection of the building aid, this assignment is considered a collateralized borrowing between the City and the Authority pursuant to GASB standards. The Authority reports, on its statements of net position (deficit), an asset (Due from New York City — future State building aid) representing the cumulative amount it has distributed to the City for the educational facilities capital plan, net of the cumulative amount of building aid it has retained. On the fund financial statements, the distributions to the City for its educational facilities capital program are

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

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### 2. Summary of Significant Accounting Policies (continued)

reported as other financing (uses) of funds. Building aid retained by the Authority is treated as an other financing sources as the amount retained is accounted for as a repayment of the amounts loaned to the City. During the years ended June 30, 2018 and 2017, the Authority retained \$687 million and \$576 million, respectively, of State building aid to be used for BARBs debt service and its administrative expenses.

- H. To maintain the exemption from Federal income tax on interest of bonds issued by the Authority, the Authority is required to rebate amounts to the Federal government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds. The Authority was not required to make an arbitrage rebate payment in fiscal years 2018 and 2017.

The Authority receives a subsidy from the United States Treasury due to the Authority's issuance of taxable Build America Bonds ("BABs") and taxable Qualified School Construction Bonds ("QSCBs") under the American Recovery and Reinvestment Act of 2009. This subsidy is recognized when the related bond interest is reported. On the statements of net position (deficit), the amount of the subsidy related to the accrued bond interest is reported as a receivable at year end, while in the governmental funds balance sheets where no bond interest is reported as payable until due, a subsidy receivable is not reported.

#### I. Recent Accounting Pronouncements:

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

- In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, ("GASB 83"). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The requirements of GASB 83 are effective for fiscal years beginning after June 15, 2018. The adoption of GASB 83 did not have an impact on TFA's financial statements as it has no such obligations.
- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, ("GASB 84"). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. TFA has not completed the process of evaluating GASB 84, but does not expect it to have an impact on TFA's financial statements, as it does not enter into fiduciary activities.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

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### 2. Summary of Significant Accounting Policies (continued)

- In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, (“GASB 86”). The primary objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are acquired with only existing resources – resources other than the proceeds of refunding debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of GASB 86 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 86 did not have an impact on TFA’s financial statements as it has not entered into such defeasances.
- In June 2017, GASB issued Statement No. 87, *Leases*, (“GASB 87”). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. TFA has not completed the process of evaluating GASB 87, but does not expect it to have an impact on TFA’s financial statements, as it does not enter into any lease agreements.
- In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, (“GASB 88”). The objective of GASB 88 is to improve consistency in the information that is disclosed in notes to government financial statements related to debt by defining debt for the purpose of note disclosure and establishes additional note disclosure requirements related to debt obligations of governments, including direct borrowing and direct placements. The requirements of GASB 88 are effective for fiscal years beginning after June 15, 2018. TFA has not completed the process of evaluating GASB 88, but does not expect it to have a significant impact on TFA’s financial statements.
- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, (“GASB 89”). The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and cost of borrowing for a reporting period and to simplify accounting for certain interest costs by requiring interest costs incurred before the end of a construction period to be recognized as an expense/expenditure in governmental fund and government-wide financial statements. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019. TFA has not completed the process of evaluating GASB 89, but does not expect it to have an impact on TFA’s financial statements.



# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

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### 2. Summary Of Significant Accounting Policies (continued)

J. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions in determining the reported amounts of assets, deferred outflow of resources, liabilities and deferred inflow of resources, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### 3. Cash And Cash Equivalents

The Authority's cash and cash equivalents as of June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
<b>Restricted cash and cash equivalents:</b>		
Cash	\$ 4	\$ 7
Cash equivalents (see Note 4)	<u>916,994</u>	<u>1,806,766</u>
<b>Total restricted cash and cash equivalents</b>	<u>916,998</u>	<u>1,806,773</u>
<b>Unrestricted cash and cash equivalents:</b>		
Cash	250	193
Cash equivalents (see Note 4)	<u>9,329</u>	<u>90,059</u>
<b>Total unrestricted cash and cash equivalents</b>	<u>9,579</u>	<u>90,252</u>
<b>Total cash and cash equivalents</b>	<u>\$ 926,577</u>	<u>\$ 1,897,025</u>

As of June 30, 2018 and 2017, the Authority's restricted cash and cash equivalents consisted of bank deposits, money market funds, and securities of government sponsored enterprises held by the Authority's Trustee in the Trustee's name.

As of June 30, 2018 and 2017, 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, 2018 and 2017, the carrying amounts and bank balances of bank deposits were \$254 thousand and \$200 thousand, respectively. These deposits were covered by the Federal Deposit Insurance Corporation.

The Authority's investments classified as cash equivalents included U.S. Government Securities and Commercial Paper that have an original maturity date of 90 days or less from the date of purchase. The Authority values those investments at fair value (see Note 4 below for a discussion of the Authority's investment policy).

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

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### 4. Investments

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

The Authority’s investments, including cash equivalents, as of June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
<b>Restricted investments and cash equivalents:</b>		
Money market funds	\$ 13,005	\$ 11,336
Federal Home Loan Bank discount notes (Maturing within one year)	805,019	830,054
Federal Home Loan Mortgage Corporation discount notes (Maturing within one year)	-	170,934
Federal National Mortgage Association discount notes (Maturing within one year)	-	139,208
U.S. Treasuries (Maturing within one year)	366,721	93,259
U.S. Treasuries (Maturing within five to ten years)	92,386	55,404
Commercial paper (Maturing within one year)	515,571	1,253,198
	<u>1,792,702</u>	<u>2,553,393</u>
Less: amounts reported as restricted cash equivalents	<u>(916,994)</u>	<u>(1,806,766)</u>
<b>Total restricted investments</b>	<u>\$ 875,708</u>	<u>\$ 746,627</u>
<b>Unrestricted investments and cash equivalents:</b>		
Money market funds	\$ 9,329	\$ 11,038
Federal Home Loan Bank discount notes (Maturing within one year)	2,469,622	1,056,362
Federal Home Loan Mortgage Corporation discount notes (Maturing within one year)	-	929,722
Federal National Mortgage Association discount notes (Maturing within one year)	-	14,091
	<u>2,478,951</u>	<u>2,011,213</u>
Less: amounts reported as unrestricted cash equivalents	<u>(9,329)</u>	<u>(90,059)</u>
<b>Total unrestricted investments</b>	<u>\$ 2,469,622</u>	<u>\$ 1,921,154</u>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

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### 4. Investments (continued)

#### Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2018 and 2017:

- Money Market Funds of \$22.3 million and \$22.4 million, respectively, are valued based on various market and industry inputs (Level 2 inputs).
- U.S. Treasury securities of \$459.1 million and \$148.7 million, respectively, are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agencies securities of \$3.3 billion and \$3.1 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).
- Commercial paper of \$515.6 million and \$1.3 billion, respectively, are valued using a matrix pricing model (Level 2 inputs).

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

**Credit Risk** — The Authority's investments are primarily government-sponsored enterprise discount notes and commercial paper. All commercial paper held by the Authority is non-asset backed commercial paper and is rated A-1 by Standard Poor's Rating Services and P1 by Moody's Investor Services.

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

**Concentration of Credit Risk** — Concentration of credit risk is the risk of loss attributed to the magnitude of TFA's investments in a single issuer (5% or more). TFA's investment policy places no limit on the amount TFA may invest in any one issuer of eligible government obligations as defined in the Indenture. As of June 30, 2018, TFA's investments were in eligible U.S. Government sponsored entities and commercial paper. These are 88% and 12% of TFA total investments, respectively.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

### 5. Long-Term Liabilities

Pursuant to the New York City Transitional Finance Authority Act (the “Act”), as amended, the Authority is authorized to have outstanding \$13.5 billion of FTS Bonds, excluding Recovery Bonds. In addition, Chapter 182 permits the Authority to issue additional Future Tax Secured Bonds provided that the amount of such additional bonds, together with the amount of indebtedness contracted by the City, does not exceed the debt limit of the City. As of June 30, 2018, the City’s and the Authority’s remaining combined debt-incurring capacity was approximately \$27.2 billion. The Authority is also authorized to have outstanding \$2.5 billion of Recovery Bonds and notes to pay costs 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, BABs, QSCBs, and other parity debt. As of June 30, 2018 and 2017, the Authority had \$787.8 million and \$989.8 million, respectively, of Senior bonds outstanding. The Authority is authorized to issue Senior FTS Bonds in an amount not to exceed \$12 billion in outstanding principal and subject to a \$330 million limit on quarterly debt service. Subordinate FTS Bonds outstanding as of June 30, 2018 and 2017, were \$34.6 billion and \$31.8 billion, respectively. Total FTS Bonds outstanding at June 30, 2018 and 2017, were \$35.4 billion and \$32.8 billion, respectively.

In fiscal year 2018, the changes in FTS long-term debt were as follows:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
		(in thousands)		
<b>Senior FTS Bonds</b>	\$ 989,775	\$ -	\$ (201,950)	\$ 787,825
Subordinate FTS Bonds:				
Recovery Bonds	800,165	-	(118,025)	682,140
Parity Bonds	26,929,740	3,776,075	(811,160)	29,894,655
Build America Bonds	2,956,990	-	(47,900)	2,909,090
Qualified School Construction Bonds	1,137,340	-	-	1,137,340
<b>Subtotal - Subordinate FTS Bonds</b>	31,824,235	3,776,075	(977,085)	34,623,225
<b>Total before premiums/discounts (net)</b>	32,814,010	3,776,075	(1,179,035)	35,411,050
Premiums/(discounts)(net)	2,046,234	405,188	(214,060)	2,237,362
<b>Total FTS Bonds Payable</b>	<b>\$ 34,860,244</b>	<b>\$ 4,181,263</b>	<b>\$ (1,393,095)</b>	<b>\$ 37,648,412</b>
Due within one year				<u>\$ 1,352,540</u>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

### 5. Long-Term Liabilities (continued)

In fiscal year 2017, the changes in FTS long-term debt were as follows:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
	(in thousands)			
<b>Senior FTS Bonds</b>	\$ 1,034,610	\$ -	\$ (44,835)	\$ 989,775
Subordinate FTS Bonds:				
Recovery Bonds	906,425	-	(106,260)	800,165
Parity Bonds	23,248,795	5,233,595	(1,552,650)	26,929,740
Build America Bonds	2,986,555	-	(29,565)	2,956,990
Qualified School Construction Bonds	1,137,340	-	-	1,137,340
<b>Subtotal - Subordinate FTS Bonds</b>	28,279,115	5,233,595	(1,688,475)	31,824,235
<b>Total before premiums/discounts (net)</b>	29,313,725	5,233,595	(1,733,310)	32,814,010
Premiums/(discounts)(net)	1,620,813	654,664	(229,243)	2,046,234
<b>Total FTS Bonds Payable</b>	<u>\$ 30,934,538</u>	<u>\$ 5,888,259</u>	<u>\$ (1,962,553)</u>	<u>\$ 34,860,244</u>
Due within one year				<u>\$ 1,000,260</u>

As of June 30, 2018, the interest rates on the Authority's outstanding FTS fixed rate bonds ranged from 2.00% to 5.50% on tax-exempt bonds and 1.25% to 6.27% on taxable bonds.

The Authority funds its debt service requirements for all FTS Bonds and its administrative expenses from personal income taxes collected on its behalf by the State and, under certain circumstances if it were necessary, sales taxes. Sales taxes are only available to the Authority if the amounts of personal income tax revenues fall below statutorily specified debt service coverage levels. No sales tax revenues were received or required during the fiscal years ended June 30, 2018 and 2017. The Authority remits any excess personal income tax not required for its debt service payments and its administrative expenses to the City. The Authority has no taxing power.

On June 30, 2018 and 2017, the Authority had \$4.1 billion and \$4.2 billion, respectively, of FTS variable rate bonds outstanding, consisting of \$222.4 million of Auction Rate Securities ("ARS"), \$892.8 million and \$610.9 million, respectively, of Index Rate Bonds, and \$3.0 billion and \$3.4 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 ARS cannot exceed 12%. In fiscal years 2018 and 2017, the interest rate on the ARS averaged 1.30% and .84%, respectively, and on the Index Rate Bonds 1.79% and 1.34%, respectively. The Authority's Index Rate Bonds pay interest based on a specified index. Such bonds also provide for an increased rate of interest commencing on an identified step up date if such bonds are not converted or

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

### 5. Long-Term Liabilities (continued)

refunded. The VRDBs bear a daily rate, a two day rate or a weekly rate and represent the lowest rate of interest that would cause the adjustable rate bonds to have a market value equal to the principal amount. The rates cannot exceed 9% on tax-exempt bonds. In fiscal years 2018 and 2017, the VRDB rates averaged 1.15% and .77%, respectively, on tax-exempt bonds.

During fiscal year 2018, the Authority issued \$161.1 million of FTS Reoffered bonds. The proceeds from the reoffering was used for the conversion of \$198.6 million of outstanding FTS VRDBs to fixed rate bonds.

During fiscal year 2017, the Authority issued \$794.6 million of FTS bonds to refund \$862.9 million of outstanding FTS bonds. This refunding resulted in an accounting loss of \$18.3 million. The Authority in effect reduced its aggregate debt service by \$99.2 million and obtained an economic benefit of \$85.0 million.

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2018 and 2017, the Authority had FTS Bonds refunded with defeasance collateral totaling \$13.7 billion of which \$705 million and \$1.3 billion, respectively, are still to be paid from the defeasance collateral held in the escrow accounts on deposit with the Authority's escrow Trustee.

Debt service requirements as of June 30, 2018, for FTS Bonds, including Recovery Bonds, payable to their maturity are as follows:

	<u>SENIOR</u>		<u>SUBORDINATE</u>		<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest (a)</u>	<u>Principal</u>	<u>Interest (a)</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	(in thousands)						
Year ending June 30,							
2019	\$ 12,940	\$ 9,324	\$ 1,370,740	\$ 1,436,519	\$ 1,383,680	\$ 1,445,843	\$ 2,829,523
2020	3,380	8,923	1,425,580	1,390,002	1,428,960	1,398,925	2,827,885
2021	-	8,834	1,480,500	1,336,851	1,480,500	1,345,685	2,826,185
2022	-	8,834	1,513,230	1,281,880	1,513,230	1,290,714	2,803,944
2023	-	8,834	1,531,930	1,225,702	1,531,930	1,234,536	2,766,466
2024 to 2028	455,210	36,639	7,010,455	5,269,958	7,465,665	5,306,597	12,772,262
2029 to 2033	316,295	5,023	6,656,450	3,768,695	6,972,745	3,773,718	10,746,463
2034 to 2038	-	-	6,925,245	2,206,376	6,925,245	2,206,376	9,131,621
2039 to 2043	-	-	5,523,775	667,752	5,523,775	667,752	6,191,527
2044 to 2047	-	-	1,185,320	42,094	1,185,320	42,094	1,227,414
Total	<u>\$ 787,825</u>	<u>\$ 86,411</u>	<u>\$34,623,225</u>	<u>\$18,625,829</u>	<u>\$35,411,050</u>	<u>\$18,712,240</u>	<u>\$54,123,290</u>

(a) The variable interest rates used in this table were 1.15% on tax-exempt bonds and 1.30% on auction bonds.

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

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### 5. Long-Term Liabilities (continued)

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 BARBs, notes or other obligations for purposes of funding costs for the City's school system's five-year educational facilities capital plan and pay related Authority administrative expenditures. As of June 30, 2018 and 2017, the Authority had \$7.9 billion of BARBs outstanding.

Under this legislation, the BARBs are secured by the State building aid payable by the State and assigned to the Authority by the City. These State aid payments are subject to annual appropriation from the State. In accordance with the legislation and the Indenture, BARBs' bond holders do not have any right to the personal income tax revenues or sales tax revenues.

In fiscal year 2018, the changes in BARBs long-term debt were as follows:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
		(in thousands)		
Building Aid Revenue Bonds	\$ 7,385,885	\$ 2,083,255	\$ (2,020,635)	\$ 7,448,505
Build America Bonds	295,750	-	-	295,750
Qualified School Construction Bonds	200,000	-	-	200,000
<b>Total before premiums/discounts (net)</b>	<b>7,881,635</b>	<b>2,083,255</b>	<b>(2,020,635)</b>	<b>7,944,255</b>
Premiums/(discounts)(net)	433,893	318,127	(104,403)	647,617
<b>Total BARBs Payable</b>	<b>\$ 8,315,528</b>	<b>\$ 2,401,382</b>	<b>\$ (2,125,038)</b>	<b>\$ 8,591,872</b>
Due within one year				<u>\$ 119,835</u>

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

### 5. Long-Term Liabilities (continued)

In fiscal year 2017, the changes in BARBs long-term debt were as follows:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
		(in thousands)		
Tax-exempt Bonds	\$ 7,548,005	\$ -	\$ (162,120)	\$ 7,385,885
Build America Bonds	295,750	-	-	295,750
Qualified School Construction Bonds	200,000	-	-	200,000
<b>Total before premiums/discounts (net)</b>	<b>8,043,755</b>	<b>-</b>	<b>(162,120)</b>	<b>7,881,635</b>
Premiums/(discounts)(net)	464,194	-	(30,301)	433,893
<b>Total BARBs Payable</b>	<b>\$ 8,507,949</b>	<b>\$ -</b>	<b>\$ (192,421)</b>	<b>\$ 8,315,528</b>
Due within one year				<u>\$ 184,145</u>

As of June 30, 2018, the interest rates on the Authority's outstanding BARBs fixed rate bonds ranged from 2.0% to 6.0% on tax-exempt bonds and 2.0% to 7.13% on taxable bonds.

During fiscal year 2018, the Authority issued \$1.6 billion of BARBs to refund \$1.8 billion of outstanding BARBS. The refunding resulted in an accounting loss of \$20.4 million. The Authority in effect reduced its aggregate debt service by \$271.4 million and obtained an economic benefit of \$256.8 million.

The bonds refunded with defeasance collateral have been removed from the financial statements as a liability of the Authority. As of June 30, 2018, the Authority had BARBS refunded with defeasance collateral totaling \$1.8 billion of which \$220 million are still to be paid from the defeasance collateral held in the escrow accounts on deposit with the Authority's escrow Trustee.

Debt service requirements at June 30, 2018 for BARBs payable to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	(in thousands)		
Year ending June 30,			
2019	\$ 126,810	\$ 384,754	\$ 511,564
2020	157,745	389,475	547,220
2021	164,440	382,573	547,013
2022	174,030	375,103	549,133
2023	252,930	365,275	618,205
2024 to 2028	1,503,785	1,617,041	3,120,826
2029 to 2033	1,884,815	1,187,497	3,072,312
2034 to 2038	2,255,695	643,019	2,898,714
2039 to 2043	1,084,425	191,963	1,276,388
2044 to 2048	339,580	24,315	363,895
<b>Total</b>	<b>\$ 7,944,255</b>	<b>\$ 5,561,015</b>	<b>\$ 13,505,270</b>



# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued) JUNE 30, 2018 AND 2017

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### 5. Long-Term Liabilities (continued)

As of June 30, 2018 and 2017, the Authority was required to hold in its debt service accounts the following:

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Required for FTS	\$ 197,220	\$ 380,486	\$ 166,435	\$ 327,123
Required for BARBs	126,810	384,754	191,120	391,066
Total	<u>\$ 324,030</u>	<u>\$ 765,240</u>	<u>\$ 357,555</u>	<u>\$ 718,189</u>

The Authority held \$2.2 billion and \$1.9 billion in excess of amounts required to be retained for FTS Bonds debt service under the Indenture as of June 30, 2018 and 2017, respectively. The Authority held \$22.4 million and \$260.9 million in excess of amounts required to be retained for BARBs debt service under the Indenture as of June 30, 2018 and 2017, respectively.

### 6. Unrestricted Grants

In fiscal year 2018, the Authority received an unrestricted grant from the City in the amount of \$2.2 billion. These funds will be used to fund future year's debt service requirements for FTS Bonds and will reduce the amount of PIT retained for such purpose. In fiscal year 2017, the Authority received an unrestricted grant from the City in the amount of \$1.9 billion. These funds were used to fund future year's debt service requirements for FTS Bonds and reduced the amount of PIT retained for such purpose. Additionally, in fiscal year 2017, the Authority received a grant from HYIC in the amount of \$112.8 million. These funds were also used toward the Authority's future debt service payments. The City grants are reported as assigned for debt service in the governmental funds balance sheets.

### 7. Administrative Costs

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

# NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

(A Component Unit of The City of New York)

## NOTES TO FINANCIAL STATEMENTS (continued)

JUNE 30, 2018 AND 2017

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### 8. Subsequent Events

On July 26, 2018, the Authority issued \$500.0 million of tax-exempt Fiscal 2019 Series S-1 BARBs. The proceeds from the Series S-1 bonds will be used to fund the costs of the five-year educational facilities capital plan for the City's school system. The Authority also issued \$429.3 million of tax-exempt Fiscal 2019 Subseries S-2A BARBs and \$114.6 million of taxable Fiscal 2019 Subseries S-2B BARBs. The proceeds from Series S-2A and S-2B were used to refund prior outstanding BARBs.

On August 10, 2018, the Authority issued \$1.35 billion, Fiscal 2019 Series A FTS Bonds, comprised of Subseries A-1, \$850.0 million of tax-exempt bonds; Subseries A-2, \$134.3 million of taxable bonds; Subseries A-3, \$165.7 million of taxable bonds, and Subseries A-4, \$200.0 million of tax-exempt variable rate bonds. The proceeds of the Fiscal 2019 Series A FTS Bonds will be used for the City's capital programs.

On September 25, 2018, the Authority issued \$1.53 billion, Fiscal 2019 Series B FTS Bonds, comprised of Subseries B-1, \$750.0 million of tax-exempt bonds; Subseries B-2, \$186.4 million of taxable bonds; Subseries B-3, \$313.6 million of taxable bonds; Subseries B-4, \$200.0 million of tax-exempt variable rate bonds, and Subseries B-5, \$75.0 million of tax-exempt variable rate bonds. The proceeds of the Fiscal 2019 Series B FTS Bonds will be used for the City's capital programs. The Authority also reoffered \$151.5 million of its outstanding FTS VRDBs as fixed rate bonds.

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## VARIABLE RATE BONDS

Variable Rate Demand Bonds

<u>Series</u>	<u>Outstanding Principal Amount</u>	<u>Provider</u>	<u>Facility Type</u>	<u>Expiration</u>
1999A-1	\$ 75,400,000	TD Bank, N.A.	SBPA <sup>(1)</sup>	December 17, 2023
2001C	74,400,000	PNC Bank, National Association	SBPA	April 6, 2020
2003-1A	38,400,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 14, 2020
2003-1C	28,400,000	JPMorgan Chase Bank, N.A.	SBPA	July 11, 2019
2003-1D	22,900,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 14, 2020
2003-1E	15,300,000	Sumitomo Mitsui Banking Corporation	SLOC <sup>(2)</sup>	November 27, 2020
2003-2A	34,900,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-2B	21,000,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-2E	20,600,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-2F	13,100,000	Sumitomo Mitsui Banking Corporation	SLOC	November 27, 2020
2003-3C	34,900,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-3D	39,700,000	Dexia Crédit Local	SBPA	November 1, 2022
2003-3G	40,800,000	The Bank of New York Mellon	SBPA	October 1, 2021
2003A-2	175,000,000	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	LOC <sup>(3)</sup>	October 9, 2020
2003A-3	25,000,000	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	LOC	October 9, 2020
2003A-4	100,000,000	TD Bank, N.A.	SBPA	October 15, 2019
2003C-2	37,500,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 14, 2020
2003C-3	37,500,000	Dexia Crédit Local	SBPA	November 1, 2022
2003C-4	37,500,000	Landesbank Hessen-Thüringen Girozentrale	SBPA	December 14, 2020
2003C-5	37,500,000	Bank of America, N.A.	SBPA	November 29, 2021
2010F-5	148,500,000	Sumitomo Mitsui Banking Corporation	LOC	February 26, 2021
2010G-5	150,000,000	Barclays Bank PLC	SBPA	June 3, 2020
2013A-4	50,000,000	JPMorgan Chase Bank, N.A.	SBPA	August 10, 2021
2013A-5	50,000,000	U.S. Bank National Association	SBPA	August 27, 2021
2013A-6	100,000,000	State Street Bank and Trust Company	SBPA	August 19, 2020
2013A-7	150,000,000	State Street Bank and Trust Company	SBPA	August 19, 2020
2013C-4	100,000,000	JPMorgan Chase Bank, N.A.	SBPA	November 29, 2019
2013C-5	148,000,000	Sumitomo Mitsui Banking Corporation	SLOC	November 17, 2020
2014B-3	75,000,000	Barclays Bank PLC	SBPA	March 29, 2024
2014D-3	100,000,000	Mizuho Bank, Ltd.	SBPA	April 21, 2020
2014D-4	100,000,000	Mizuho Bank, Ltd.	SBPA	April 21, 2020
2015A-3	100,000,000	Mizuho Bank, Ltd.	SBPA	July 21, 2020
2015A-4	100,000,000	Mizuho Bank, Ltd.	SBPA	July 21, 2020
2015E-3	100,000,000	JPMorgan Chase Bank, N.A.	SBPA	April 21, 2023
2015E-4	90,000,000	Bank of America, N.A.	SBPA	April 22, 2022
2016A-4	100,000,000	Bank of America, N.A.	SBPA	September 27, 2022
2016E-4	150,000,000	JPMorgan Chase Bank, N.A.	SBPA	February 24, 2023
2018C-6	100,000,000	Sumitomo Mitsui Banking Corporation	SLOC	May 26, 2023
2019A-4	200,000,000	JPMorgan Chase Bank, N.A.	SBPA	August 10, 2021
2019B-4	200,000,000	JPMorgan Chase Bank, N.A.	SBPA	September 24, 2021
2019B-5	75,000,000	U.S. Bank National Association	SBPA	September 24, 2021
	<u>\$3,296,300,000</u>			

See footnotes on page C-2.

**Index Rate Bonds**<sup>(5)</sup>

<u>Series</u>	<u>Outstanding Principal Amount</u>	<u>Purchaser</u>	<u>Step-Up Date</u>	<u>Final Maturity</u>	<u>Floating Rate Index</u>
1998C	\$100,000,000	RBC Capital Markets, LLC	8/1/2022	5/1/2028	SIFMA
2003-1-B	31,600,000	JP Morgan	None	11/1/2022	SIFMA
2003-3-E	48,000,000	Bank of America	None	11/1/2022	SIFMA
2003-3-F	26,600,000	RBC Capital Markets, LLC	None	11/1/2022	SIFMA
2003-3-H	33,800,000	RBC Capital Markets, LLC	None	11/1/2022	SIFMA
2010G-6 <sup>(4)</sup>	100,000,000	Wells Fargo	6/1/2019	5/1/2034	SIFMA
2011A-4 <sup>(4)</sup>	100,000,000	Wells Fargo	8/1/2019	8/1/2039	SIFMA
2014A-4	125,000,000	Wells Fargo	11/10/2020	11/1/2043	SIFMA
2016A-5	50,000,000	RBC Capital Markets, LLC	6/27/2023	8/1/2041	SIFMA
2017B-4	100,000,000	Wells Fargo	9/22/2020	8/1/2043	SIFMA
2018C-7	<u>75,000,000</u>	TD Bank, N.A.	5/28/2021	5/1/2047	SIFMA
	\$790,000,000				

**Auction Rate Bonds**

<u>Series</u>	<u>Outstanding Principal Amount</u>
2007C-2	\$103,700,000
2007C-3	<u>103,700,000</u>
	\$207,400,000

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<sup>(1)</sup> Standby Bond Purchase Agreement.

<sup>(2)</sup> Standby Letter of Credit.

<sup>(3)</sup> Letter of Credit.

<sup>(4)</sup> The Series 2010G-6 Bonds and the Series 2011A-4 Bonds are expected to be converted on April 12, 2019 to variable rate bonds.

<sup>(5)</sup> The Authority's index rate bonds consist of Future Tax Secured Bonds that were purchased by financial institutions through direct placements and were not offered to the public. Such bonds pay interest based on a specified index and, other than the Series 2003-1-B Bonds, the Series 2003-3-E Bonds, the Series 2003-3-F Bonds and the Series 2003-3-H Bonds, provide for an increased rate of interest commencing on an identified step up date if such bonds are not converted or refunded.

**PROPOSED FORM OF NORTON ROSE FULBRIGHT US LLP OPINION**

April 12, 2019

New York City Transitional Finance Authority

We have acted as Co-Bond Counsel to the New York City Transitional Finance Authority (the “Authority”), a public benefit corporation organized under the laws of the State of New York (the “State”), in the Authority’s issuance of its Future Tax Secured Subordinate Bonds, Fiscal 2019 Subseries C-1 (the “Subseries C-1 Bonds”), Fiscal 2019 Subseries C-2 (the “Subseries C-2 Bonds”) and Fiscal 2019 Subseries C-3 (such Subseries C-3 Bonds, together with the Subseries C-1 Bonds and the Subseries C-2 Bonds, the “Fixed Rate Bonds”). The Fixed Rate Bonds are being issued pursuant to Chapter 16, Laws of New York, 1997, as amended (the “Act”), to the Amended and Restated Original Indenture, as restated December 1, 2010, and as supplemented (the “Indenture”), between the Authority and The Bank of New York Mellon, as Trustee, and to a Financing Agreement dated October 1, 1997, as amended (the “Agreement”), between the Authority and The City of New York (the “City”). Terms not defined herein are used as defined in the Indenture. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

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

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

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

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

2. The Fixed Rate Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding obligations of the Authority payable from the Tax Revenues pledged and the other collateral provided therefor in the Indenture. The Fixed Rate 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 Fixed Rate Bonds be payable out of any funds other than those of the Authority.

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

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

4. The Personal Income Taxes are subject neither to appropriation by the City or the State, nor to prior claims in favor of other obligations or purposes of the City or the State except as specified in §1313 of the Tax Law with respect to overpayments and the State's reasonable costs in administering, collecting and distributing such taxes. Alternative Revenues consisting of sales and compensating use taxes imposed by the City, if payable to the Authority pursuant to the Act, are not subject to appropriation by the City or the State. Upon any failure of the State Legislature to make required appropriations for State debt obligations, the Tax Revenues would not constitute revenues applicable to the General Fund of the State; accordingly, Article 7, Section 16 of the State Constitution does not mandate that such money be set apart by the State Comptroller for the payment of State obligations.

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

6. The lien of the Indenture on the Tax Revenues for the security of the Senior Bonds and other instruments to the extent specified in the Indenture is, and pursuant to the covenant of the Authority in the Indenture will be, prior to all other liens thereon. The Authority's obligation to pay Subordinate Bonds, such as the Fixed Rate Bonds, is subject to and subordinate to the pledge and security interest granted in the Indenture to secure Senior Debt Service. The pledge of Tax Revenues and other collateral made by the Authority in the Indenture is valid, binding and perfected without any physical delivery of the collateral or further act, and the lien thereof is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of such parties' notice thereof.

7. The Agreement has been duly and lawfully authorized, executed and delivered by the Authority and the City pursuant to the Act, and is a valid and binding agreement of each of them.

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

9. No registration with, consent of, or approval by any governmental agency or commission that has not been obtained is necessary for the execution and delivery of the Fixed Rate Bonds. The adoption and compliance with all of the terms and conditions of the Indenture and the Fixed Rate Bonds, and the execution and delivery of the Fixed Rate Bonds, will not result in a violation of or be in conflict with any existing law.

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

12. Interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Tax-Exempt Bonds or the inclusion in certain computations of interest that is excluded from gross income.

We express no opinion with respect to any other federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Fixed Rate Bonds. Furthermore, we express no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action (including without limitation a change in the interest rate mode with respect to the Tax-Exempt Bonds) taken or not taken after the date of this opinion without our approval. 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, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

The rights of the holders of the Fixed Rate 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. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,



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**PROPOSED FORM OF BRYANT RABBINO LLP OPINION**

April 12, 2019

New York City Transitional Finance Authority

We have acted as Co-Bond Counsel to the New York City Transitional Finance Authority (the "Authority"), a public benefit corporation organized under the laws of the State of New York (the "State"), in the Authority's issuance of its Future Tax Secured Subordinate Bonds, Fiscal 2019 Subseries C-1 (the "Subseries C-1 Bonds"), Fiscal 2019 Subseries C-2 (the "Subseries C-2 Bonds") and Fiscal 2019 Subseries C-3 (such Subseries C-3 Bonds, together with the Subseries C-1 Bonds and the Subseries C-2 Bonds, the "Fixed Rate Bonds"). The Fixed Rate Bonds are being issued pursuant to Chapter 16, Laws of New York, 1997, as amended (the "Act"), to the Amended and Restated Original Indenture, as restated December 1, 2010, and as supplemented (the "Indenture"), between the Authority and The Bank of New York Mellon, as Trustee, and to a Financing Agreement dated October 1, 1997, as amended (the "Agreement"), between the Authority and The City of New York (the "City"). Terms not defined herein are used as defined in the Indenture. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

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

We have examined, and in expressing the opinions hereinafter described we rely upon, certificates of the Authority and the City and such other agreements, documents and matters as we deem necessary to render our opinions. We have assumed, with your permission, that capital projects of the City to be financed with proceeds of the Fixed Rate Bonds, and reviewed by other bond counsel for the City, have been properly designated by the City in the City's financial management system as eligible for financing with such proceeds under applicable State law, including the Local Finance Law, and, with respect to projects to be financed with proceeds of the Subseries C-1 Bonds, under the Code (as defined below). We have not undertaken an independent investigation of the matters described or contained in the foregoing certificates, agreements and documents. We have assumed, without undertaking to verify, the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as certified copies, the genuineness of all signatures, and the accuracy of the statements contained in such documents.

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

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

2. The Fixed Rate Bonds have been duly authorized, executed, and delivered by the Authority and are valid and binding obligations of the Authority payable from the Tax Revenues pledged and the other collateral provided therefor in the Indenture. The Fixed Rate 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 Fixed Rate Bonds be payable out of any funds other than those of the Authority.

3. The Act validly provides for (a) the payment to the Authority (i) of the taxes so payable pursuant to §1313 of the Tax Law (the “Personal Income Taxes”), and (ii) to the extent specified in the Act, of sales and compensating use taxes that the City is authorized by the State to impose and taxes imposed by the State pursuant to §1107 of the Tax Law (the “Alternative Revenues,” and to the extent so payable, with the Personal Income Taxes and such other revenues, if any, as the Authority may derive directly from the State from taxes imposed by the City or the State and collected by the State, the “Tax Revenues”), (b) the Authority’s pledge to the Trustee of the Tax Revenues and all aid, rents, fees, charges, payments and other income and receipts paid or payable to the Authority or the Trustee (the “Revenues”), and (c) the application of proceeds of the Fixed Rate Bonds to purposes of the City.

4. The Personal Income Taxes are subject neither to appropriation by the City or the State, nor to prior claims in favor of other obligations or purposes of the City or the State except as specified in §1313 of the Tax Law with respect to overpayments and the State’s reasonable costs in administering, collecting and distributing such taxes. Alternative Revenues consisting of sales and compensating use taxes imposed by the City, if payable to the Authority pursuant to the Act, are not subject to appropriation by the City or the State. Upon any failure of the State Legislature to make required appropriations for State debt obligations, the Tax Revenues would not constitute revenues applicable to the General Fund of the State; accordingly, Article 7, Section 16 of the State Constitution does not mandate that such money be set apart by the State Comptroller for the payment of State obligations.

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

6. The lien of the Indenture on the Tax Revenues for the security of the Senior Bonds and other instruments to the extent specified in the Indenture is, and pursuant to the covenant of the Authority in the Indenture will be, prior to all other liens thereon. The Authority’s obligation to pay Subordinate Bonds, such as the Fixed Rate Bonds, is subject to and subordinate to the pledge and security interest granted in the Indenture to secure Senior Debt Service. The pledge of Tax Revenues and other collateral made by the Authority in the Indenture is valid, binding and perfected without any physical delivery of the collateral or further act, and the lien thereof is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of such parties’ notice thereof.

7. The Agreement has been duly and lawfully authorized, executed and delivered by the Authority and the City pursuant to the Act, and is a valid and binding agreement of each of them.

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

9. No registration with, consent of, or approval by any governmental agency or commission that has not been obtained is necessary for the execution and delivery of the Fixed Rate Bonds. The adoption and compliance with all of the terms and conditions of the Indenture and the Fixed Rate Bonds, and the execution and delivery of the Fixed Rate Bonds, will not result in a violation of or be in conflict with any existing law.

10. Interest on the Fixed Rate 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, in Tax Certificates dated the date hereof, to comply with certain provisions of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), relating to the exclusion from gross income of the interest on the Fixed Rate Bonds of Subseries C-1 (the “Tax-Exempt Bonds”) for purposes of federal income taxation. Assuming compliance by the Authority and the City with such covenants, interest on the Tax-Exempt Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes.

12. Interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Tax-Exempt Bonds or the inclusion in certain computations of interest that is excluded from gross income.

We express no opinion with respect to any other federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Fixed Rate Bonds. Furthermore, we express no opinion as to the effect on the exclusion from gross income of interest on the Tax-Exempt Bonds of any action (including without limitation a change in the interest rate mode with respect to the Tax-Exempt Bonds) taken or not taken after the date of this opinion without our approval. 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, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

The rights of the holders of the Fixed Rate 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. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,

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**\$1,450,000,000**  
**New York City Transitional Finance Authority**  
**Future Tax Secured Subordinate Bonds**  
**Fiscal 2019 Series C**

**\$850,000,000 Subseries C-1**  
**Tax-Exempt Bonds**

**\$300,000,000 Subseries C-2**  
**Taxable Bonds**

**\$300,000,000 Subseries C-3**  
**Taxable Bonds**

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**OFFERING CIRCULAR**

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**March 27, 2019**

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