

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



Future Tax Secured Bonds Fiscal 1998 Series C \$100,000,000 Tax-Exempt Adjustable Rate Bonds

Dated: Date of Delivery

Due: May 1, 2028

Price: 100%

The Bonds are being issued by the New York City Transitional Finance Authority (the "Authority") pursuant to an Indenture, dated as of October 1, 1997, as amended and supplemented (the "Indenture"), by and between the Authority and The Chase Manhattan Bank, New York, New York, as Trustee (the "Trustee").

The Bonds will be on a parity with the \$1.3 billion of Future Tax Secured Bonds previously issued by the Authority and \$750,000,000 Fiscal 1998 Series C Fixed Rate Bonds not offered hereby. Provided certain statutory and contractual conditions are met, Other Series of Bonds on a parity with or subordinate to the Bonds may be issued. See "SECTION II: THE BONDS—Other Series."

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

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

Payment of the Purchase Price on the Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the Liquidity Facility described herein provided by BAYERISCHE LANDESBANK GIROZENTRALE, New York Branch (the "Bank").

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

The Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, and to the approval of legality of the Bonds and certain other matters by Brown & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the New York City Corporation Counsel. Certain legal matters will be passed upon for the Underwriter by Rogers & Wells LLP, New York, New York. It is expected that the Bonds will be available for delivery to DTC in New York, New York, on or about May 5, 1998.

Morgan Stanley Dean Witter

April 23, 1998

**RATE PERIOD TABLE
FOR TAX-EXEMPT ADJUSTABLE RATE BONDS**

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

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

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

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

The information in this Offering Circular has been provided by the Authority, the City, the Bank and other sources considered by the Authority to be reliable. Such information is not guaranteed as to accuracy or completeness and is not to be considered as a representation by the Underwriter. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized. No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representation with respect to the 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 Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

If and when included in this Offering Circular, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Offering Circular. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

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

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

This Offering Circular of the New York City Transitional Finance Authority (the "Authority") sets forth information concerning the Authority in connection with the sale of the adjustable rate portion (the "Bonds" or the "Adjustable Rate Bonds" or the "Tax-Exempt Adjustable Rate Bonds") of the Authority's Future Tax Secured Bonds Fiscal 1998 Series C. The \$100,000,000 Adjustable Rate Bonds of Fiscal 1998 Series C, together with \$650,000,000 Tax-Exempt Bonds and \$100,000,000 Taxable Bonds of Fiscal 1998 Series C not offered hereby, are herein called the "Series C Bonds." The Authority is a corporate governmental agency constituting a public benefit corporation and an instrumentality of the State of New York (the "State") created by Chapter 16 of the Laws of 1997 (the "Act"). Capitalized terms not otherwise defined in this Offering Circular are defined in "Appendix A—Definitions".

INTRODUCTORY STATEMENT

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

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

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

SECTION I: INCLUSION BY SPECIFIC REFERENCE

Portions of the Authority's Offering Circular, dated April 8, 1998, delivered herewith and relating to the fixed rate portion of the Authority's Future Tax Secured Bonds Fiscal 1998 Series C, subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

SUMMARY OF TERMS

SECTION I: INTRODUCTION

SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

SECTION III: ECONOMIC AND DEMOGRAPHIC STATISTICS

SECTION V: THE AUTHORITY

SECTION VI: LITIGATION

SECTION VII: TAX MATTERS

SECTION IX: UNDERWRITING

SECTION X: APPROVAL OF LEGALITY

SECTION XI: FINANCIAL ADVISOR

SECTION XII: FINANCIAL STATEMENTS

SECTION XIV: LEGAL INVESTMENT

The bonds described in such Offering Circular, dated April 8, 1998 (the "Fixed Rate Bonds"), are offered thereby and not by this Offering Circular.

SECTION II: THE BONDS

General

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

Use of Proceeds

The proceeds from the sale of the Bonds will be used by the Authority to provide financing for City capital expenditures. Certain expenses of the Authority incurred in connection with the issuance and sale of the Bonds will be paid from the proceeds of the Bonds.

Other Series

Bonds and Notes may be issued only (i) as Senior Bonds on a parity with the Series 1998 C Bonds (or Notes in anticipation thereof) (x) to pay or reimburse Project Capital Costs, but (I) not to exceed \$12 billion in issuance amount, measured by proceeds to the Authority, and (II) subject to a \$330 million limit on Quarterly Debt Service to be payable, or (y) to refund or renew such Bonds or Notes, subject to a \$330 million limit on Quarterly Debt Service to be payable; or (ii) as subordinate to the Bonds (or Notes in anticipation thereof), with Rating Confirmation, but (iii) no Series of Bonds on a parity with the Series 1998 C Bonds shall be authenticated and delivered without Rating Confirmation unless the amount of collections of Statutory Revenues for the twelve consecutive calendar months ended not more than two months prior to the calculation date less the aggregate amount of operating expenses of the Authority for the current fiscal year is at least three times the amount of annual Debt Service, including debt service on the series of Bonds proposed to be issued, for each fiscal year Bonds will be Outstanding. See "APPENDIX A—SUMMARY OF INDENTURE AND AGREEMENT."

Interest On Adjustable Rate Bonds

Interest on any Rate Period shall accrue from and including the commencement date of such Rate Period through and including the last day thereof. The Interest Payment Dates for the Adjustable Rate Bonds shall be: (a) the first Business Day of each May and November, in the case of interest payable at Daily, Weekly, Monthly or Quarterly Rates; (b) the first Business Day of the sixth calendar month following a Conversion to a Semiannual Rate Period or Term Rate Period and the first Business Day of

each sixth calendar month thereafter, in the case of interest payable at Semiannual or Term Rates; (c) the first day of each May and November, in the case of interest payable at a Fixed Rate or in any case not otherwise specified herein; (d) the first Business Day of the sixth month in the case of a period during which a specific Money Market Municipal Rate applies (the "MMMR Period") exceeding six months and the first Business Day following the MMMR Period, in the case of interest payable at Money Market Municipal Rates; (e) the date of any redemption or mandatory tender of Adjustable Rate Bonds for purchase; and (f) the date of maturity. Interest shall be payable on each Interest Payment Date by check mailed to the registered owner at his or her address as it appears on the registration books as of the close of business on the appropriate Record Date; provided, that (i) while a securities depository is the registered owner of all the Adjustable Rate Bonds of a maturity, all payments of principal of and interest on such Bonds shall be paid to the securities depository or its nominee by wire transfer, (ii) prior to and including the Fixed Rate Conversion Date, interest on the Adjustable Rate Bonds shall be payable to any registered owner of at least \$1,000,000 aggregate principal amount of Adjustable Rate Bonds by wire transfer, upon written notice received by the Paying Agent at least five days prior to the Record Date from such registered owner containing the wire transfer address (which shall be in the continental United States) to which such registered owner wishes to have such wire directed and (iii) following an MMMR Period, interest shall be payable on the Bonds only upon presentation thereof to the Tender Agent upon purchase thereof and if such presentation is made by 10:00 a.m. (New York City time) such payment shall be by wire transfer.

Computations of interest shall be based on 365-day or 366-day years for the actual number of days elapsed; except that interest at Semiannual, Term or Fixed Rates shall be computed on the basis of a year of 360 days and twelve 30-day months, and interest on Purchased Bonds shall be computed and paid as provided below under the caption "Bank Bonds".

The Variable Rate or a Money Market Municipal Rate of interest shall not exceed 9% per annum; and the rate of interest shall never in any event exceed 25% per annum.

Variable Rates

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

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

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

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

Money Market Mode

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

- (i) Establishment of MMMR Periods. At or prior to 12:00 noon, New York City time, on the date of issue or any Conversion Date upon which Adjustable Rate Bonds will begin to bear interest in the Money Market Mode and on any day immediately after the end of an MMMR Period, the Remarketing Agent shall establish MMMR Periods in accordance with instructions from the Authority with respect to Adjustable Rate Bonds for which no MMMR Period is currently in effect. Any MMMR Period may not exceed 270 days and may not extend beyond the day prior to the maturity date of the Bond or to any applicable mandatory tender date of which notice has been given prior to the establishment of the MMMR Period.
- (ii) Setting of Rates. On the first Business Day of each MMMR period (the "Rate Determination Date"), the Remarketing Agent shall set a rate (a "Money Market Municipal Rate") by 12:00 noon, New York City time, for each MMMR Period. For each MMMR Period, the Money Market Municipal Rate shall be the rate of interest that, if borne by the Adjustable Rate Bonds, would, in the judgment of the Remarketing Agent, having due regard to the prevailing market conditions as of the Rate Determination Date, be the lowest rate of interest necessary to enable the Remarketing Agent to remarket such Bonds at a price of par on the commencement date of the applicable MMMR Period.

The Authority may change its instructions about the establishment of MMMR Periods pursuant to the preceding paragraph (i) in a written direction from the Authority, which direction must be received by the Remarketing Agent prior to 10:00 a.m., New York City time, on the day prior to any

Rate Determination Date to be effective on such date, but only if the Authority receives an opinion of Bond Counsel to the effect that such an action is authorized by the Indenture, and does not adversely affect the exclusion of interest on the Tax-Exempt bonds from gross income for Federal income tax purposes.

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

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

Fixed Rates

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

Conversions

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

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

Market Municipal Rate, or otherwise, as the case may be. Failure by the Tender Agent to provide such notice to the owners of the Adjustable Rate Bonds shall not affect the validity of the notice of withdrawal given by the Authority.

Subject to meeting the conditions to such Conversion contained in the Indenture and the Liquidity Facility, the Authority shall Convert to a Fixed Rate all Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate prior to the mandatory tender that would occur upon expiration of the Liquidity Facility if the Liquidity Facility is not extended or replaced.

Each Conversion is conditioned upon the Remarketing Agent's determination of the new rate or rates of interest and delivery to the Authority (not later than 10:00 a.m. on the Conversion Date) of (a) an opinion of Bond Counsel to the effect that such Conversion is authorized by the Indenture, and does not adversely affect the exclusion of interest on the Tax-Exempt bonds from gross income for Federal income tax purposes and (b) in the case of Conversion to a Variable Rate or to the Money Market Mode, evidence that the Liquidity Facility provides for coverage of interest for a period at least 5 days longer than the period that will extend between Interest Payment Dates after such Conversion.

Bank Bonds

Any Adjustable Rate Bond purchased by the Bank (a "Bank Bond") shall bear interest at the rates, payable on the dates, set forth in the Third Supplement. Bank Bonds may be sold when and as provided in the Liquidity Facility for such Bonds, and if remarketed at a Variable Rate, a Money Market Municipal Rate or a Fixed Rate will no longer bear interest as Bank Bonds. In no event shall the interest on any Bank Bond exceed 25% per annum.

Tender Of Adjustable Rate Bonds

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

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

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

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

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

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

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

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

If either the funds available for purchases of Adjustable Rate Bonds are inadequate for the purchase of all Adjustable Rate Bonds tendered on any Purchase Date or a Liquidity Condition shall exist, all Adjustable Rate Bonds theretofore bearing interest at a Variable Rate or a Money Market Municipal Rate shall bear interest from such date at the highest rate provided by law for interest on accrued claims against municipalities and shall no longer be subject to optional or mandatory tender for purchase (except upon conversion to a Fixed Rate); and the Tender Agent shall immediately: (i) return all tendered Adjustable Rate Bonds to the owners thereof; (ii) return all money received for the purchase of such Adjustable Rate Bonds to the persons providing such money; and (iii) give Written Notice to all Adjustable Rate Bondholders.

Mandatory Tender to the Bank

So long as no Liquidity Condition exists, each of the Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate is subject to mandatory tender for purchase by the Bank pursuant to the Liquidity Facility, on the Purchase Date following a Notice of Purchase (as defined in the Liquidity Facility, the "Notice") from the Tender Agent to the Bank, at the applicable Purchase Price. If (x) on the fifteenth day prior to the Scheduled Termination Date of the Liquidity Facility, Adjustable Rate Bonds are bearing interest at a Variable Rate or a Money Market Municipal Rate and the Authority has not given Written Notice to the Tender Agent of the extension or replacement of the

Liquidity Facility or (y) the Tender Agent receives a notice of mandatory tender from the Bank, which notice shall be given to the Remarketing Agent as well, the Tender Agent shall give the Notice on that day (or, at the latest, by a specified time on the next Business Day); and the Tender Agent shall promptly notify all registered owners of such Bonds, by certified mail, postage prepaid, return receipt requested, of its Notice. Such notice to registered owners shall also state the Purchase Date (which shall be the last Business Day on or prior to the date of expiration or termination of the Bank's commitment; that the Bonds subject to such mandatory tender shall be required to be surrendered to the Tender Agent on the Purchase Date; that if such Bond is not so tendered, it shall be deemed to have been tendered on the Purchase Date; and that upon the deposit by the Tender Agent of sufficient money in a special account for the payment of the Purchase Price of such Bond, interest on such Bond shall cease to accrue to the former owner and such Bond shall be deemed purchased by the Bank. All Adjustable Rate Bonds purchased pursuant to this paragraph shall be paid for from funds furnished under the Liquidity Facility upon presentation and surrender thereof, together with an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the registered owner thereof, at the office of the Tender Agent. If Notice is not given as aforesaid, the expiration or termination shall nonetheless take effect and, following the expiration or termination of the Bank's Commitment, such Bonds bearing interest at a Variable Rate or Money Market Municipal Rate shall bear interest at the highest rate provided by law for interest on accrued claims against municipalities as of such date (that is, the rate stated in subdivision one of Section 3-a of the General Municipal Law, as amended or superseded from time to time) and shall not be subject to optional or mandatory tender for purchase (except upon Conversion to a Fixed Rate).

Optional Redemption

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

Following a Fixed Rate Conversion, the Adjustable Rate Bonds of a maturity will be subject to redemption at the option of the Authority beginning on the tenth anniversary of the Fixed Rate Conversion Date, in whole or in part, by lot within each maturity, on any date, at a redemption price of 101%, which price shall decline annually by one-half of 1% per annum, until reaching a price of 100% on the twelfth anniversary, to remain in effect thereafter; plus accrued interest to the date of redemption. The Authority may select amounts and maturities of such Bonds for redemption in its sole discretion. Prior to Conversion to a Fixed Rate, such optional redemption provisions may be amended if the Authority receives an opinion of Bond Counsel to the effect that such amendment is authorized by law and will not have an adverse effect on the exclusion of interest on the Tax-Exempt bonds from gross income for Federal income tax purposes.

Mandatory Redemption

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

<u>May 1</u>	<u>Principal Amount to be Redeemed</u>
2026	\$18,100,000
2027	39,900,000
2028	42,000,000*

* Stated Maturity

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

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

Defeasance

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

Liquidity Facility

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

Registered Owners of the Adjustable Rate Bonds bearing interest at a Variable Rate or Money Market Municipal Rate are entitled to the benefits of and subject to the terms of a Liquidity Facility executed by Bayerische Landesbank Girozentrale, New York Branch (with permitted assigns, the "Bank"). Under the Liquidity Facility, the Bank agrees, subject to the Liquidity Conditions, to make available to the Tender Agent, upon receipt of an appropriate demand for payment, the Purchase Price for the Adjustable Rate Bonds. The Bank's commitment under the Liquidity Facility in the initial mode will be sufficient to pay a Purchase Price equal to the principal of and up to 185 days' interest on the Adjustable Rate Bonds at an assumed rate of 9%.

Notwithstanding anything to the contrary described herein, the Bank shall be under no obligation to purchase any Adjustable Rate Bond upon the occurrence and continuation of a Liquidity Condition. Under the terms of the Liquidity Facility provided by the Bank, a Liquidity Condition exists if there has been an event of default under the Liquidity Facility that causes the immediate termination or suspension of the Bank's obligation to purchase. Events of default causing the immediate termination or suspension of the Bank's obligation to purchase Adjustable Rate Bonds are (i) failure by the Authority to pay when due any interest, principal or redemption premium on a Note or Bond; (ii) insolvency of the Authority; (iii) amendment or repeal by the State of the provisions of the law obligating the State to pay over to the Authority Personal Income Taxes (as defined in the Indenture) or Alternative Revenues (as defined in the Indenture) in accordance with the terms of such law as now in effect; (iv) delivery by the Authority of an officer's certificate pursuant to Section 604(c) of the Indenture showing estimated Revenues (as defined in the Indenture) to be less than 150% of Debt Service (as defined in the Indenture); (v) enactment by the State of a moratorium or other similar law affecting the Bonds or Notes; and (vi) a final, nonappealable judgment shall be issued by a court of competent jurisdiction or the Authority shall initiate legal proceedings asserting that the Bonds or any material provision of the Liquidity Facility or the Indenture is invalid or that the Authority has no liability thereon. With respect to an event of default described in clause (v), the Bank's obligation to purchase Adjustable Rate Bonds may, if not otherwise expired or terminated under the terms of the Liquidity Facility, be reinstated if such event of default is cured within 180 days after the occurrence thereof. If not so cured within such time period, the Bank's obligation to purchase shall at such time terminate without notice or demand.

Mandatory purchase by the Bank of Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate shall occur under the circumstances specified in the Third Supplement, including (at the option of the Bank) the Authority's failure to pay amounts due to the Bank. The Adjustable Rate Bonds bearing interest at a Variable Rate or a Money Market Municipal Rate will be subject to mandatory tender for purchase by the Bank upon notice given 15 days before the expiration of the Liquidity Facility if the Liquidity Facility is not extended or replaced. The Schedule Termination Date of the Liquidity Facility is May 5, 2001.

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

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

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

Book-Entry Only System

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

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on a payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Trustee, disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

forth in the Indenture, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

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

SECTION III: OTHER INFORMATION

Tax Exemption

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

In the opinion of Bond Counsel, interest on the Tax-Exempt Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

In the opinion of Bond Counsel, interest on the Tax-Exempt Bonds will not be a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Brown & Wood LLP renders no opinion, as a result of ownership of such Tax-Exempt Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income. Interest on the Tax-Exempt Bonds owned by a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability.

The excess, if any, of the amount payable at maturity of any maturity of Tax-Exempt Bonds over the initial public offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such maturity is sold constitutes original issue discount, which will be excludable from gross income to the same extent as interest on the Tax-Exempt Bonds for Federal, State and City income tax purposes. The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of the Tax-Exempt Bonds with original issue discount (the "Discount Bonds") will be increased by such amount. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral Federal income tax consequences discussed below. Consequently, owners of any Discount Bond should be aware that the

accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral Federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Owners of Discount Bonds should consult their personal tax advisors with respect to the determination for Federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds, other tax consequences of owning Discount Bonds and other state and local tax consequences of holding such Discount Bonds.

The excess, if any, of the tax basis of Tax-Exempt Bonds to a purchaser (other than a purchaser who holds such Tax-Exempt Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Tax-Exempt Bonds for Federal income tax purposes. Owners of such Tax-Exempt Bonds are required to decrease their adjusted basis in such Tax-Exempt Bonds by the amount of amortizable bond premium attributable to each taxable year such Tax-Exempt Bonds are held. The amortizable bond premium on such Tax-Exempt Bonds attributable to a taxable year is not deductible for Federal income tax purposes. Owners of such Tax-Exempt Bonds should consult their tax advisors with respect to the determination for Federal income tax purposes of the treatment of bond premiums upon sale or other disposition of such Tax-Exempt Bonds and with respect to the state and local tax consequences of owning and disposing of such Tax-Exempt Bonds.

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

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

Underwriting

The Bonds are being purchased for reoffering by Morgan Stanley & Co. Incorporated. For compensation for services rendered in connection with the underwriting of the Adjustable Rate Bonds together with the Fixed Rate Bonds, see "SECTION IX: UNDERWRITING", included herein by specific reference. The Underwriters will be obligated to purchase all Series C Bonds if any such Bonds are purchased.

Legal Opinions

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

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

Miscellaneous

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

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

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

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY

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ADJUSTABLE RATE BONDS — DEFINITIONS

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

Bank: The Bank providing a Liquidity Facility for the Adjustable Rate Bonds, initially Bayerische Landesbank Girozentrale, New York Branch.

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

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

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

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

Conversion Date: The effective date of a Conversion.

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

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

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

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

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

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

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

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

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

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

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

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

Rating Agency: Each of Fitch IBCA, Inc., Moody's Investors Service and Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., that has a rating in effect for the Adjustable Rate Bonds.

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

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

Remarketing Agent: Morgan Stanley & Co. Incorporated.

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

Tender Agent: The Chase Manhattan Bank, New York, New York, or any successor appointed pursuant to the Certificate. The Tender Agent's designated office is, if by hand, One Chase Manhattan Plaza—Level 1B, New York, New York 10081, Attn: Municipal Bond Redemption Window; if by mail, 450 W. 33rd Street, New York, NY 10001.

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

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

Variable Rate: As the context requires, the Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate or Term Rate applicable to the Adjustable Rate Bonds. No Variable Rate shall exceed 9% per annum.

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

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

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**CERTAIN INFORMATION CONCERNING
LIQUIDITY FACILITY PROVIDER**

Bayerische Landesbank Girozentrale (the "Bank") was incorporated as a public law financial institution (Rechtsfaehige Anstalt des Oeffentlichen Rechts) by the Law Establishing Bayerische Landesbank Girozentrale (Gesetz ueber die Errichtung der Bayerischen Landesbank Girozentrale) of June 27, 1972, as amended, as adopted by the Parliament of the Free State of Bavaria, and is subject to the German Federal Banking Act of July 10, 1961, as amended (Gesetz ueber das Kreditwesen) (the "Federal Banking Act"). Its statutes authorize the Bank to provide universal financial services including both commercial and investment banking as well as brokerage activities. The Free State of Bavaria owns 50% of the Bank's share capital, the other 50% being owned by the Bavarian Savings Bank and Clearing Association (Bayerischer Sparkassen-und Giroverband) (which is the central organization of the Bavarian Savings Banks).

The Bank currently has a long-term debt rating by Moody's Investors Service ("Moody's") of Aaa and by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") of AAA, as well as short-term ratings of P-1 by Moody's and A-1 + by Standard & Poor's.

The Bank is equipped to provide a full range of domestic and international banking services; with regard to local banking functions, the Bank also makes use of the Bavarian Savings Bank's network. In the domestic field, the Bank places emphasis on wholesale banking, lending to federal and local authorities and mortgage lending, together with industrial credit. The Bank holds the function of a banker of the Free State of Bavaria and its municipalities, and also finances public and private development projects, administers public funds and performs certain treasury functions for the Free State of Bavaria.

The Free State of Bavaria and the Bavaria Savings Bank and Clearing Association are jointly and severally liable for the obligations of the Bank if the liabilities cannot be satisfied from the Bank's assets (Gewahrtraeger). The owners of the Bank also have an obligation to maintain the Bank in a financial position which enables it to carry out its functions. This liability (Anstaltslast), which is peculiar to German law, obliges the owners to provide funds for the Bank that are necessary to enable it to fulfill its functions, to meet its liabilities and to keep its finances sound. As an additional safeguard, it is noted that as a public law institution the Bank can only be put into liquidation through a specific law to this effect.

The Bank established a Representation Office in New York in October 1979 and obtained a license from the office of the Comptroller of the Currency in October 1981 to operate through a branch located in The City of New York.

The New York Branch engages in a diversified banking business, and is a major wholesale lending participant throughout the United States, offering a full range of domestic and international financial services, including loans, foreign exchange and money market operations.

All banking institutions in the Federal Republic of Germany are subject to governmental supervision and regulation exercised by the Federal Banking Supervisory Authority (Bundesaufsichtsamt fuer das Kreditwesen), an independent federal authority with regulatory powers and by the Deutsche Bundesbank (the "German Federal Central Bank") in accordance with the Federal Banking Act. The

Federal Banking Act contains major rules for banking supervision and regulates the Bank's business activities, capital adequacy and liquidity. In addition to the above-mentioned general banking supervision, the group of Landesbanks is subject to special supervision by their respective federal states.

As reported in the Bank's Annual Report for the Fiscal Year ended December 31, 1996, the Bank has total assets of Deutsche Mark ("DM") 343.6 billion (DM 360.5 billion on a consolidated basis). Business volume (balance sheet total, own drawings charged to borrowers, endorsement liabilities, and guarantees) expanded by 16.3% to DM 368.0 billion from the previous year end. The Bank's lending volume increased by DM 22.5 billion to DM 199.5 billion from year end 1995. Total equity of the Bank, including among other items, nominal capital of DM 1.3 billion, profits participation rights with a nominal value of DM 1.8 billion and capital contributions of silent partners in an amount of DM 2.56 billion, made up for DM 10.92 billion, and was thus equal to 3.2% of the unconsolidated balance sheet. Net income after tax was DM 441.0 million, which equals the net income at year end 1995. DM 350 million of such amount has been allocated to revenue reserves, raising the bank's published reserve to DM 5.13 billion. The accounting principles applied in the preparation of the Bank's financial statements comply with generally accepted accounting principles in the Federal Republic of Germany and may not conform to generally accepted accounting principles applied by United States banks.

As reported in the Bank's Interim Report for the six months ended June 30, 1997, the Bank had total assets of DM 371.7 billion, up 8.0% from December 31, 1996. Business volume for the Bank at June 30, 1997 was DM 398.3 billion up 8.2% from December 31, 1996. The Bank's lending volume at June 30, 1997 was DM 213.9 billion, up 7.2% from December 31, 1996. In the six-month interim period ending June 30, 1997, the Bank's operating result was DM 392.7 million, up 22.9% from the same period last year.

The rate of exchange between the DM and the U.S. dollar is determined by the forces of supply and demand in the foreign exchange markets, which, in turn, are affected by changes in the balance of payments and other economic and financial conditions, government intervention, speculation and other factors. On December 30, 1996, the DM/U.S. dollar exchange rate was DM 1.5548 per dollar, as per the official Frankfurt mid-day fixing. On June 30, 1997, the DM/U.S. dollar exchange rate was 1.7448 per dollar. The foregoing information relating to the Bank is based upon facts and circumstances present on the dates referenced above. Such facts and circumstances may change from time to time. The Bank shall have no obligation to update the foregoing information to reflect any such change.

Copies of the Bank's Annual Report for the most recent available fiscal year may be obtained at the New York Branch in person during normal business hours or by mail by writing to the New York Branch at: Bayerische Landesbank Girozentrale, 560 Lexington Avenue, New York, New York 10022, Attention: Corporate Finance.

The Bank has supplied the information relating to it in the previous paragraphs. The Bank does not accept responsibility for any information contained in this Offering Circular other than the information contained in this Section relating to the Bank.

FORM OF BOND COUNSEL OPINION

May 5, 1998

NEW YORK CITY TRANSITIONAL
FINANCE AUTHORITY

We have acted as bond counsel in connection with the issuance by 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"), of \$850,000,000 Future Tax Secured Bonds, Fiscal 1998 Series C (the "New Bonds"). The New Bonds are being issued as Senior Bonds pursuant to Chapter 16, Laws of New York, 1997 (the "Act"), to an Indenture dated as of October 1, 1997, as amended and supplemented (the "Indenture"), between the Authority and The Chase Manhattan Bank, as Trustee, and to a Financing Agreement dated October 1, 1997 (the "Agreement"), between the Authority and The City of New York (the "City").

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

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

1. The Authority is a public benefit corporation duly organized and existing under the laws of the State, and is authorized under the laws of the State, particularly the Act, to enter into the Indenture and the Agreement and to issue the Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid with respect to all provisions thereof material to the subject matter of this opinion letter. The New Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding general obligations of the Authority payable from the Revenues pledged and the other collateral provided therefor in the Indenture. The Bonds do not constitute a debt of the State or the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority.

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

receipts paid or payable to the Authority or the Trustee (the "Revenues"), and (c) the application of proceeds of the Bonds to finance or refinance capital projects of the City.

3. The Personal Income Taxes are subject neither to appropriation by the City or the State, nor to prior claims in favor of other obligations or purposes of the City or the State except as specified in §1313 of the Tax Law with respect to overpayments and the State's reasonable costs in administering, collecting and distributing such taxes. Alternative Revenues consisting of sales and compensating use taxes imposed by the State, if payable to the Authority pursuant to the Act, are subject to State appropriation and to a prior claim of the Municipal Assistance Corporation for The City of New York. Alternative Revenues consisting of sales and compensating use taxes imposed by the City, if payable to the Authority pursuant to the Act, are not subject to appropriation by the City or the State.

4. The Indenture (a) has been duly and lawfully authorized, executed and delivered by the Authority, (b) creates the valid pledge of Revenues and other collateral that it purports to create and (c) is a valid and binding agreement, enforceable in accordance with its terms, of the Authority, and to the extent specified in the Act, the State. The lien of the Indenture on the Revenues for the security of the 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 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. Upon any failure of the State Legislature to make required appropriations for State debt obligations, the Tax Revenues would not constitute revenues applicable to the General Fund of the State; hence Article 7, Section 16, of the State Constitution does not mandate such money to be set apart by the State Comptroller for the payment of State obligations.

5. Each pledge of or security interest in Revenues, money, accounts, contract rights, general intangibles or other personal property made or created by the Authority in the Indenture is valid, binding and perfected from the time when such pledge is made or other security interest attaches without any physical delivery of the collateral or further act, and the lien thereof is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of such parties' notice thereof.

6. The Agreement has been duly and lawfully, authorized, executed and delivered by the Authority and the City pursuant to the Act, and is a valid and binding agreement of each of them.

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

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

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

10. Except as provided in the following sentence, interest on the Tax-Exempt Bonds is not includable in the gross income of the owners of the Tax-Exempt Bonds for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds in the event of a failure by the Authority or the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and their respective covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt Bonds for Federal income tax purposes on or after the date on which any action is taken under the Indenture or related proceedings upon the approval of counsel other than ourselves.

The Adjustable Rate Bonds (due in 2028) and the New Bonds bearing interest at fixed rates lower than 5.80% are Tax-Exempt Bonds.

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

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

13. No registration with, consent of, or approval by any governmental agency or commission that has not been obtained is necessary for the execution and delivery of the New Bonds.

14. The adoption and compliance with all of the terms and conditions of the Indenture and the New Bonds, and the execution and delivery of the New Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

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

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

Very truly yours,



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Future Tax Secured Bonds
Fiscal 1998 Series C
\$100,000,000
Tax-Exempt Adjustable Rate Bonds

OFFERING CIRCULAR

April 23, 1998