

**NEW YORK CITY MUNICIPAL WATER
FINANCE AUTHORITY**

A meeting of the Board of Directors of the New York City Municipal Water Finance Authority (the "Authority") was held at 75 Park Place, Room 6M4, New York, N.Y. at 2:20 p.m. on October 7, 2008.

The following Directors were present:

Mark Page;

Richard Carroll (by designation of Authority Director Martha E. Stark);

William Kusterbeck (by designation of Authority Director Emily Lloyd);

Marc Shaw;

Peter Kenny; and

Arthur Hill

Constituting a quorum of the Board. Mr. Page chaired the meeting, and Jeffrey M. Perlman served as Secretary of the meeting.

Approval of Minutes of Meeting of August 14, 2008

The first item on the agenda was approval of the minutes of the meeting of August 14, 2008. There being no discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board of Directors has reviewed the minutes of the meeting held on August 14, 2008; it is therefore

RESOLVED, that the minutes of the meeting of August 14, 2008 be, and hereby are, approved.

Authorization to Issue Second General Resolution Bonds to Refund Commercial Paper

Notes (Series 8)

The next item on the agenda was the authorization to issue second general resolution bonds to refund commercial paper notes. Mr. Page explained that one of the rating agencies asked that the Authority authorize bonds to take out the Series 8 Commercial Paper that the Board had previously authorized. There being no discussion, upon motion duly made and seconded, Supplemental Resolution No. 56 Authorizing the Issuance of a Series of Water and Sewer System Second General Resolution Revenue Bonds was unanimously adopted.

Acceptance of the independent auditors' report on the audited financial statements for the fiscal years ended June 30, 2007 and June 30, 2008 and authorization to release such financial statements

The next item on the agenda was the Acceptance of the independent auditors' report on the audited financial statements for the fiscal years ended June 30, 2007 and June 30, 2008 and authorization to release such financial statements. Mr. Page explained that the New York City Water Board is also required to accept and authorize the release of the report and statements and they were expected to do so on October 10, 2008. There being no discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Audit Committee of the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board" and together with the Authority, the "System") has met with the independent auditors of the System and has reviewed the independent auditors' report on the audited financial statements of the System for the fiscal years ended June 30, 2007 and June 30, 2008 and such financial statements; and

WHEREAS, the Audit Committee believes the independent auditors' report and the financial statements are reasonable and appropriate and has recommended that the Board of Directors of the Authority and the Water Board accept the independent auditors' report and authorize the release of the financial statements; it is therefore

RESOLVED, that the Board of Directors of the Authority hereby accepts the independent auditors' report on the audited financial statements of the System for the fiscal years ended June 30, 2007 and June 30, 2008 and authorizes the release of such audited financial statements upon approval of the Water Board; provided that both the independent auditors' report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller of the Authority.

Approval of Administrative Services Agreement

The next item on the agenda was approval of the Administrative Services Agreement. Mr. Page explained that the agreement involves staffing and allocation of costs among the Authority, the City of New York and various other entities. He went on to explain that the amendment to the agreement provides that the Office of Management and Budget will pay any costs allocable to the Jay Street Development Corporation after it ceases to exist. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the staff of the New York City Municipal Water Finance Authority (the "Authority") believes it is in the best interest of the Authority to adopt a revised Administrative Services Agreement to memorialize its relationship with the Office of Management and Budget of the City of New York and other related issuers; and

WHEREAS, the staff of the Authority believes that the Administrative Services Agreement submitted to the Board herewith is reasonable and appropriate and recommends that such Administrative Services Agreement be adopted; and

WHEREAS, the Board has reviewed the attached Administrative Services Agreement and has deemed it reasonable and appropriate, it is therefore

RESOLVED, that the Administrative Services Agreement submitted to the Board herewith is hereby adopted and a copy of

such Administrative Services Agreement shall be filed with the minutes of the Board.

Approval of Bankruptcy Counsel Fees

The next item on the agenda was approval of bankruptcy counsel fees. Mr. Page explained that the Authority needs representation in the Lehman Brothers bankruptcy proceedings to protect the Authority's interest in certain forward purchase agreements with Lehman Brothers Special Financing. He went on to explain that Orrick, Herrington & Sutcliffe, LLP, the Authority's bond counsel, has as strong and respected bankruptcy practice that has already been retained by several other creditors for representation in the proceedings. Mr. Page explained that any work done for this combined group of clients would be billed at Orrick's regular hourly rates, not to exceed \$775 per hour, and divided evenly among the client group, whereas work done solely for the Authority would be billed at the same rates minus a ten percent discount. Following a brief discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, Lehman Brothers Holdings Inc. ("LBHI") filed a petition under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York on September 15, 2008; and

WHEREAS, the New York City Municipal Water Finance Authority (the "Authority") has five debt service reserve fund forward purchase agreements totaling \$93,564,437.50 as described in Schedule I hereto with Lehman Brothers Special Financing Inc. ("LBSF"), for which LBHI serves as guarantor; and

WHEREAS, pursuant to said agreements, LBSF is in default as a result of LBHI's bankruptcy filing, and consequently, the Authority terminated its agreements with LBSF on September 23, 2008; and

WHEREAS, it will be necessary for the Authority to retain bankruptcy counsel to represent it in this matter; and

WHEREAS, the Authority's current bond counsel, Orrick, Herrington & Sutcliffe, LLP ("Orrick"), is knowledgeable about the

relevant documents and has a bankruptcy department with well respected and experienced attorneys; and

WHEREAS, in compliance with Section 5(iv) of the Authority's Procurement Policy, management of the Authority believes it is in the best interest of the Authority to amend the existing agreement with Orrick; and

WHEREAS, management recommends that the Board of Directors amend the Authority's agreement with Orrick, to include representation of the Authority's interests relating to the bankruptcy proceedings of LBHI and any future proceedings relating to LBSF; it is therefore

RESOLVED, that the Board of Directors of the Authority hereby approves the amendment of the Authority's agreement with Orrick to include representation of the Authority's interests in the Bankruptcy proceedings relating to LBHI and any future proceedings relating to LBSF, at a rate not to exceed \$775 per hour, plus expenses, where work done for the common benefit of multiple Orrick clients will be equally divided among such clients and hourly rates for work done for the Authority alone will be billed at a ten percent discount, with total compensation not to exceed \$75,000, plus expenses, without further Board authorization.

Approval of Graphic Design Consultant

The next item on the agenda was approval of a graphic design consultant in connection with the preparation of the Authority's Comprehensive Annual Financial Report. Mr. Page explained that following a request for proposals, Corchia Woliner Rhoda, a woman owned minority business was selected, based on demonstrated ability to provide excellent service and being the lowest bidder. He went on to explain that the contract is expected to be for \$15,000, but the resolution authorizes up to \$18,000 to allow for cost overruns or changes requested by the Authority, plus up to an additional \$30,000 for a printing sub-contract to be arranged by the designer and approved by Authority staff. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the New York City Municipal Water Finance Authority (the "Authority") is authorized, pursuant to Section 1045-d(7) of the New York City Municipal Water Finance Authority Act to retain or employ counsel, auditors, engineers and private

consultants for rendering professional or technical services and advice; and

WHEREAS, the Authority conducted a Request for Proposals process for a graphic design consultant to work with the Authority in connection with the preparation of the Authority's Comprehensive Annual Financial Report ("CAFR"); and

WHEREAS, Corchia Woliner Rhoda is a woman and minority owned business which in the past has demonstrated its ability to provide excellent service; and

WHEREAS, Corchia Woliner Rhoda was the lowest bidder; and

WHEREAS, the Board of Directors believes that it is in the best interests of the Authority to authorize a contract with Corchia Woliner Rhoda; it is therefore

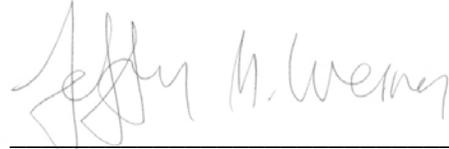
RESOLVED, that the Executive Director or the Treasurer of the Authority is each hereby authorized and directed to enter into an agreement in the name of the Authority whereby Corchia Woliner Rhoda will serve as graphic design consultant to the Authority upon such terms as the Executive Director or the Treasurer deems reasonable and appropriate; provided, however, that such agreement shall be limited to work on the fiscal year 2008 CAFR; and provided, further, that compensation to Corchia Woliner Rhoda shall not exceed \$18,000, plus an amount not to exceed \$30,000 to be pre-approved by the Executive Director or Treasurer of the Authority for payment of printing services to be performed under a sub-contract managed by Corchia Woliner Rhoda.

Presentation by Governance Committee Chair

The next item on the agenda was a presentation by Peter Kenny, Chair of the Governance Committee. Mr. Kenny read a report of the Governance Committee's accomplishments and findings since the formation of the committee. Following Mr. Kenny's report, Tom Paolicelli, the Authority's Executive Director, gave market update which was followed by a brief discussion.

Adjournment

There being no further business to come before the meeting, upon motion duly made and seconded, the meeting was duly adjourned.

A handwritten signature in cursive script, appearing to read "Jeffrey M. Werner". The signature is written in black ink and is positioned above a horizontal line.

Assistant Secretary