

NEW ISSUE

In the opinion of Nixon Peabody LLP, Bond Counsel to the Authority, under existing law, and assuming compliance with the tax covenants described herein, interest on the Fiscal 2003 F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is of the opinion that interest on the Fiscal 2003 F Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that under existing law, interest on the Fiscal 2003 F Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York, as described more fully herein. See, however, "TAX EXEMPTION" herein regarding certain other tax considerations.

\$201,655,000

New York City
Municipal Water Finance Authority

Water and Sewer System Revenue Bonds,
Adjustable Rate Fiscal 2003 Series F
consisting of
\$100,000,000 Fiscal 2003 Sub-Series F-1 Bonds
\$101,655,000 Fiscal 2003 Sub-Series F-2 Bonds

Dated: Date of Delivery

Due: June 15, 2035

The Fiscal 2003 F Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Fiscal 2003 F Bonds. Purchases of beneficial interests in such Fiscal 2003 F Bonds will be made in book-entry only form. Purchasers will not receive certificates representing their ownership interest in the Fiscal 2003 F Bonds purchased by them. See "BOOK-ENTRY ONLY FORM" herein.

The Fiscal 2003 F Bonds will be issued in two sub-series (each a "Sub-Series"). The Fiscal 2003 F-1 Bonds will be issued in the aggregate principal amount of \$100,000,000 and will bear interest at the Initial Rate until May 14, 2003, and thereafter will bear interest at a Weekly Rate until converted to bear interest at a different Rate. The Fiscal 2003 F-2 Bonds will be issued in the aggregate principal amount of \$101,655,000 and will bear interest at a Daily Rate until converted to bear interest at a different Rate. See "THE FISCAL 2003 F BONDS—Conversion to an Alternate Rate Period." Interest accruing during the Initial Rate Period, a Daily Rate Period or a Weekly Rate Period will be payable on the 15th day of each calendar month, commencing May 15, 2003. Interest accruing during a Term Rate Period or the Fixed Rate Period will be payable on June 15 and December 15 of each year. Interest accruing during a Commercial Paper Rate Period of 270 days or less will be payable on the Reset Date. Interest accruing during a Commercial Paper Rate Period of more than 270 days will be payable on the next succeeding Reset Date or Conversion Date and the date which is 180 calendar days prior to such Reset Date or Conversion Date. During the Initial Rate Period, a Daily Rate Period, a Commercial Paper Rate Period or a Weekly Rate Period, the Fiscal 2003 F Bonds will be issuable in Authorized Denominations of \$100,000 or integral multiples of \$5,000 in excess thereof and during a Term Rate Period or the Fixed Rate Period the Fiscal 2003 F Bonds will be issuable in Authorized Denominations of \$5,000 or integral multiples thereof.

Fiscal 2003 F Bonds bearing interest at a Daily Rate or a Weekly Rate may be tendered to the Tender Agent for purchase at the option of the Owner thereof under the circumstances described herein. The Fiscal 2003 F Bonds are also subject to mandatory tender and to redemption prior to maturity, as described herein. To the extent the Purchase Price is not provided by the remarketing of a Sub-Series of Fiscal 2003 F Bonds, the Purchase Price thereof will be paid pursuant to a Standby Bond Purchase Agreement between the Authority and the Facility Provider (as defined herein) with respect to such Sub-Series as set forth herein.

The proceeds of the Fiscal 2003 F Bonds are expected to be applied (i) to pay principal and interest on \$191 million aggregate principal amount of the Authority's outstanding Commercial Paper Notes, (ii) to finance a portion of the capital improvement program of the System, (iii) to fund certain reserves and (iv) to pay certain costs of issuance.

Price 100%

The Fiscal 2003 F Bonds are special obligations of the Authority, payable solely from and secured by a pledge of and first lien on the gross revenues of the System. The Authority has no taxing power. The Fiscal 2003 F Bonds are not a debt of the State of New York, The City of New York or the New York City Water Board and none of the State of New York, The City of New York or the New York City Water Board is liable on the Fiscal 2003 F Bonds.

The Fiscal 2003 F Bonds are offered when, as and if issued by the Authority and received by the Underwriters and subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Willkie Farr & Gallagher, New York, New York. Certain legal matters will be passed upon for the Facility Providers by their special counsel, King & Spalding LLP. It is anticipated that the Fiscal 2003 F Bonds will be available for delivery in New York, New York, on or about May 6, 2003.

Merrill Lynch & Co.

May 2, 2003

\$201,655,000

**New York City
Municipal Water Finance Authority**

**Water and Sewer System Revenue Bonds,
Adjustable Rate Fiscal 2003 Series F**

<u>Maturity</u>	<u>Fiscal 2003 F-1 Bonds⁽¹⁾ Amount</u>	<u>Fiscal 2003 F-2 Bonds⁽²⁾ Amount</u>
June 15, 2035	\$100,000,000	\$101,655,000

⁽¹⁾The Fiscal 2003 F-1 Bonds are supported by a Credit Facility provided by Dexia Crédit Local, acting through its New York Agency. See "THE FISCAL 2003 F BONDS—Credit Facilities" herein.

⁽²⁾The Fiscal 2003 F-2 Bonds are supported by a Credit Facility provided by Bayerische Landesbank, acting through its New York Branch. See "THE FISCAL 2003 F BONDS—Credit Facilities" herein.

OFFICIAL STATEMENT

\$201,655,000

New York City Municipal Water Finance Authority
Water and Sewer System Revenue Bonds,
Adjustable Rate Fiscal 2003 Series F
consisting of
\$100,000,000 Fiscal 2003 Sub-Series F-1 Bonds
\$101,655,000 Fiscal 2003 Sub-Series F-2 Bonds

INTRODUCTORY STATEMENT

The purpose of this Official Statement is to set forth certain information pertaining to the New York City Municipal Water Finance Authority (the “Authority”), a public benefit corporation duly created and existing under the New York City Municipal Water Finance Authority Act, as amended (the “Act”); the New York City Water Board (the “Board”), a public benefit corporation created and existing under Chapter 515 of the Laws of 1984, both of which laws were enacted by the Legislature of the State of New York (the “State”); and the Authority’s \$201,655,000 Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2003 Series F (the “Fiscal 2003 F Bonds”), consisting of \$100,000,000 Fiscal 2003 Sub-Series F-1 Bonds, (the “Fiscal 2003 F-1 Bonds”) and \$101,655,000 Fiscal 2003 Sub-Series F-2 Bonds (the “Fiscal 2003 F-2 Bonds”). Capitalized terms used in this Official Statement and not defined herein shall have the meanings ascribed thereto in Appendix F herein or in “APPENDIX C—GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS” in the Series 2003 E Official Statement (as defined herein).

Pursuant to a lease agreement (the “Lease”) between the Board and The City of New York (the “City”), dated as of July 1, 1985, as amended, the Board has leased from the City its facilities for the collection, transmission and distribution of water (the “Water System”) and its facilities for the collection, treatment and disposal of sewage (the “Sewer System”) (collectively, the “System”). As required by the Act and the Lease, the System is operated and maintained by the Department of Environmental Protection of the City (“DEP”). The Board has also entered into a financing agreement, dated as of July 1, 1985, as amended (the “Agreement”), with the Authority and the City for the financing of capital improvements to the System through the issuance of bonds, notes and other obligations (the “Bonds”) under its Water and Sewer System General Revenue Bond Resolution adopted on November 14, 1985, as amended (the “Resolution”) or subordinate obligations of the Authority under its Second Resolution (defined below). Pursuant to the Lease and the Agreement, the Board has agreed to cause rates, fees and charges to be collected.

The Fiscal 2003 F Bonds will be issued by the Authority pursuant to the Resolution, and its Sixty-fifth Supplemental Resolution adopted on May 2, 2003 (the “Supplemental Resolution”). The Resolution and the Supplemental Resolution are collectively referred to herein as the “Resolutions.” The Bank of New York serves as trustee under the Resolutions (in

such capacity, the “Trustee”) and will continue to serve as Trustee until a successor is appointed in accordance with the Resolutions. The Authority has issued subordinate revenue bonds (the “Second Resolution Bonds”) pursuant to its Water and Sewer System Second General Revenue Bond Resolution adopted on March 30, 1994, as amended (the “Second Resolution”).

The Bonds are special obligations of the Authority, payable solely from and secured by a pledge of the Revenues, all moneys or securities in any of the funds and accounts established under the Resolution, including the Debt Service Reserve Fund, and all other moneys and securities to be received, held or set aside pursuant to the Resolution, subject only to provisions of the Resolution and the Agreement relating to the use and application thereof. The Board has covenanted in the Agreement to maintain rates, fees and charges at sufficient levels to produce in each twelve month period beginning on July 1 (a “Fiscal Year”) an amount equal to 115% of the Aggregate Debt Service and Projected Debt Service on the Bonds (excluding Refundable Principal Installments for the payment of which funds are held in trust) to become due in such Fiscal Year on Bonds, plus 100% of the operation and maintenance expenses of the System certified by the City and of Required Deposits (which includes the debt service on the Second Resolution Bonds and other subordinate debt) to the extent required to be paid from Revenues. The Agreement requires a report of the Rate Consultant setting forth its recommendations as to any revisions of the rates, fees and charges necessary or advisable to meet the requirements of the rate covenant. See “SECURITY FOR THE BONDS—Rate Covenant” in the Series 2003 E Official Statement. The Agreement also requires a Consulting Engineer to review the operation and maintenance of the System, and further requires the City to operate and maintain the System in accordance with the advice and recommendations of the Consulting Engineer. See “SECURITY FOR THE BONDS” in the Series 2003 E Official Statement.

Rates, fees and charges are imposed by the Board and are not subject to regulatory approval nor are they subject to other regulations under current law except for the rates charged to a limited class of upstate users, representing approximately 1% of Revenues, or as required by certain Federal grants. See “THE SYSTEM—The Water System—Governmental Regulation” and “RATES AND BILLING” in the Series 2003 E Official Statement.

The estimates and projections contained in this Official Statement are based on, among other factors, evaluations of historical revenue and expenditure data and analyses of economic trends affecting the Authority’s finances. The financial projections contained herein are subject to certain contingencies that cannot be quantified and are subject to the uncertainties inherent in any attempt to predict the results of future operations. Accordingly, such projections are subject to periodic revision which may involve substantial change. Consequently, the Authority makes no representation or warranty that these estimates and projections will be realized.

The Authority has relied upon the authority of its Consulting Engineer, Metcalf & Eddy of New York, Inc. (“Metcalf & Eddy”), for certain engineering feasibility information and upon the authority of its Rate Consultant, Black & Veatch New York LLP (“Black & Veatch”), for certain financial estimates and projections. See “ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS” in the Series 2003 E Official Statement.

INCLUSION BY SPECIFIC REFERENCE

Portions of the Authority's Official Statement, dated April 10, 2003 delivered herewith and relating to the Authority's Water and Sewer System Revenue Bonds Fiscal 2003 Series E (the "Series 2003 E Official Statement") subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

INTRODUCTORY STATEMENT—Financial Projection Assumptions
INTRODUCTORY STATEMENT—World Trade Center Attack
SECURITY FOR THE BONDS¹
THE AUTHORITY
THE BOARD
THE DEPARTMENT OF ENVIRONMENTAL PROTECTION
CAPITAL IMPROVEMENT AND FINANCING PROGRAM
FINANCIAL OPERATIONS
RATES AND BILLINGS
THE SYSTEM²
ECONOMIC AND DEMOGRAPHIC INFORMATION
LITIGATION
FINANCIAL ADVISORS
INVESTMENTS
LEGALITY FOR INVESTMENT AND DEPOSIT
FINANCIAL STATEMENTS
ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS
CERTAIN LEGAL OPINIONS
APPENDIX A - LETTER OF METCALF & EDDY OF NEW YORK, INC., CONSULTING ENGINEERS
APPENDIX B - LETTER OF BLACK & VEATCH NEW YORK LLP, RATE CONSULTANTS
APPENDIX C - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS
APPENDIX D - FINANCIAL STATEMENTS

(1) The Debt Service Reserve Fund Requirement as of February 1, 2003 was approximately \$616 million rather than the \$637 million indicated in the Series 2003 E Official Statement under this heading.

(2) The information included under the caption "THE SYSTEM-The Water System-Governmental Regulation" is modified to reflect the fact that on April 30, 2003 the City asked the United States Attorney for the Southern District of New York for a 30-day extension of the April 30, 2003 milestone to select the City's preferred site for the Croton filtration plant. While this request is pending, the City is continuing to pursue the actions required by the Supplement with respect to the alternate Westchester County and Bronx County sites.

Any reference to the Fiscal 2003 E Bonds in the information incorporated herein by reference shall be read to be a reference to the Fiscal 2003 F Bonds unless the context thereof clearly indicates that such information is only applicable to the Fiscal 2003 E Bonds.

Descriptions of the Authority, the Board, the System and the CIP together with other information including summaries of the terms of the Resolution, the Agreement and the Lease are set forth in the Series 2003 E Official Statement. All references herein to the Resolution, the Agreement, the Lease and the Credit Facilities are qualified by reference to such documents in their entirety, copies of which are available from the Authority. All references to the Fiscal 2003

F Bonds are qualified in their entirety by reference to the definitive bond forms, and the terms and provisions thereof contained in the Resolutions.

THE FISCAL 2003 F BONDS

General

The Fiscal 2003 F Bonds will be issued in two sub-series (each a "Sub-Series"). The Fiscal 2003 F-1 Bonds will be issued in the aggregate principal amount of \$100,000,000 and will bear interest at the Initial Rate until May 14, 2003 and thereafter will bear interest at a Weekly Rate until converted to bear interest at a different Rate. The Fiscal 2003 F-2 Bonds will be issued in the aggregate principal amount of \$101,655,000 and will bear interest at a Daily Rate until converted to bear interest at a different Rate. The interest rate applicable to all or any portion of the Fiscal 2003 F Bonds may be converted to a Daily Rate, Commercial Paper Rate, Weekly Rate, Term Rate, or Fixed Rate. The Fiscal 2003 F Bonds will mature on June 15, 2035. The Fiscal 2003 F Bonds are subject to optional and mandatory redemption prior to maturity as described under "Redemption of Fiscal 2003 F Bonds" and to optional and mandatory tender for purchase as described under "Optional Tender for Purchase" and "Mandatory Tender for Purchase." The Fiscal 2003 F Bonds will continue in a Rate Period until converted to another Rate Period and will bear interest at a rate determined in accordance with the procedures for determining the interest rate during such Rate Period. See "Conversion to an Alternate Rate Period" and "Interest Rates and Reset Dates" below.

Principal and Purchase Price of, and redemption premium, if any, and interest on, the Fiscal 2003 F Bonds will be payable in lawful money of the United States of America. The Fiscal 2003 F Bonds will be issued only as fully registered bonds without coupons in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof when the Rate Period is the Initial Rate Period, a Daily Rate Period, a Commercial Paper Rate Period, or a Weekly Rate Period, and in denominations of \$5,000 and integral multiples thereof when the Rate Period is a Term Rate Period or the Fixed Rate Period. During an Initial Rate Period, a Daily Rate Period, a Commercial Paper Rate Period or a Weekly Rate Period, interest will be computed on the basis of a 365-day or 366-day year for the actual number of days elapsed and during a Term Rate Period and the Fixed Rate Period, interest will be computed on the basis of a 360-day of twelve 30-day months.

The Bank of New York has been appointed as Tender Agent for the Fiscal 2003 F Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated has been appointed as the exclusive Remarketing Agent for the Fiscal 2003 F Bonds (the "Remarketing Agent"). The Authority may remove the Remarketing Agent at any time upon thirty (30) days notice to the Remarketing Agent, the Tender Agent and the applicable Facility Provider. In addition, the Remarketing Agent may resign upon thirty (30) days notice to the Authority, the applicable Facility Provider, the Tender Agent and the Trustee.

Record Dates and Interest Payment Dates

Record Dates. Interest on the Fiscal 2003 F Bonds will be payable to the registered owner thereof as shown on the registration books kept by the Trustee at the close of business on

the Record Date which will be (i) the immediately preceding Business Day prior to a Bond Payment Date when the Fiscal 2003 F Bonds are in an Initial Rate Period, a Daily Rate Period, a Weekly Rate Period or a Commercial Paper Rate Period and (ii) the first day (whether or not a Business Day) of the calendar month during which interest thereon is payable for a Term Rate Period and the Fixed Rate Period.

Bond Payment Dates. Interest on the Fiscal 2003 F Bonds will be payable on the 15th day of each calendar month, commencing May 15, 2003, when the Fiscal 2003 F Bonds bear interest at an Initial Rate, a Daily Rate or a Weekly Rate and on June 15 and December 15 of each year when the Fiscal 2003 F Bonds bear interest at a Term Rate or a Fixed Rate. Interest on the Fiscal 2003 F Bonds in a Commercial Paper Rate Period comprised of 270 days or less shall be paid on the next succeeding Reset Date or Conversion Date and interest on the Fiscal 2003 F Bonds in a Commercial Paper Rate Period comprised of more than 270 days shall be paid (i) on the next succeeding Reset Date or Conversion Date and (ii) the date which is 180 calendar days prior to such Reset Date or Conversion Date. If any such day is not a Business Day, then the Bond Payment Date will be the next succeeding Business Day. Interest payable on each Bond Payment Date for Fiscal 2003 F Bonds bearing interest in an Initial Rate Mode, Daily Rate Mode, Commercial Paper Rate Mode or Weekly Rate Mode shall be the interest accruing and unpaid through and including the day preceding such Bond Payment Date. Interest payable on each Bond Payment Date bearing interest in the Term Rate Mode or the Fixed Rate Mode shall be the interest accruing and unpaid through and including the respective June 14th or December 14th preceding such Bond Payment Date.

Conversion to an Alternate Rate Period

At the election of the Authority, all or a portion of a Sub-Series of the Fiscal 2003 F Bonds may be converted to a Rate Period of a different duration by delivering a notice (the "Conversion Notice") to the Remarketing Agent for such Fiscal 2003 F Bonds, the Facility Provider for such Fiscal 2003 F Bonds, DTC and the Tender Agent specifying, among other things, the new Rate Modes or Modes to which such Fiscal 2003 F Bonds are then subject and the conversion date (which shall be a Reset Date or a Bond Payment Date) (a "Conversion Date"). The Fiscal 2003 F Bonds to be converted are subject to mandatory tender on the Conversion Date. The Authority must deliver such Conversion Notice at least fifteen days prior to the Conversion Date (or if the 2003 Series F Bonds to be converted are Book Entry Bonds, such shorter period as DTC will permit). The Tender Agent is to give written notice to the registered owner of each Fiscal 2003 F Bond of the Authority's election to convert to another Rate Period and the Conversion Date. Such notice is to be given, by first class mail, not later than three calendar days after receipt by the Tender Agent of the Conversion Notice. See "Mandatory Tender for Purchase—*Mandatory Tender on Conversion Dates.*"

If less than all of a Sub-Series of the Fiscal 2003 F Bonds then subject to a particular Rate Mode or Modes are to be converted to a new Rate Mode or Modes, the particular Fiscal 2003 F Bonds which are to be converted to a new Rate Mode or Modes shall be selected by the Trustee in such manner as the Trustee deems appropriate subject to the provisions of the Resolutions regarding Authorized Denominations of Fiscal 2003 F Bonds subject to such Rate Mode.

No Fiscal 2003 F Bonds may be converted from a Rate Period to a new Rate Period of another duration unless the Trustee and Tender Agent have received an Opinion of Bond Counsel by 10:00 a.m., New York City time, on the Conversion Date.

If an Opinion of Bond Counsel cannot be obtained, or if the election to convert was withdrawn by the Authority, or if the Remarketing Agent for such Fiscal 2003 F Bonds has notified the Tender Agent that it has been unable to remarket such Fiscal 2003 F Bonds on the Conversion Date, the Fiscal 2003 F Bonds that were to be converted will be subject to mandatory tender and will bear interest in a Daily Rate Mode or, at the option of the Authority and in compliance with the provisions of the Resolution regarding conversion of Rate Modes, any other Rate Mode, which Rate Mode will be in effect from and after the date on which the Rate Mode was to be converted; provided, however, unless on or prior to the Conversion Date an Opinion of Bond Counsel is delivered, the Rate Mode for the Fiscal 2003 F Bonds not converted shall be the existing Rate Mode.

Interest Rates and Reset Dates

General. The rate at which a Fiscal 2003 F Bond will bear interest during any Rate Period will be the rate of interest that, if borne by such Fiscal 2003 F Bond for such Rate Period, in the judgment of the Remarketing Agent therefor, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as the Fiscal 2003 F Bonds and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of the Fiscal 2003 F Bonds, would be the lowest interest rate that would enable such Fiscal 2003 F Bond to be sold at a price equal to the principal amount thereof, plus accrued interest thereon, if any.

The Fiscal 2003 F Bonds (other than the Purchased Bonds) may not bear interest at a rate greater than nine percent (9%) per annum (the "Maximum Rate").

Daily Rate Period. Except as described below, the Daily Rate for any Fiscal 2003 F Bonds in the Daily Rate Mode for any Business Day is determined by the Remarketing Agent for such Fiscal 2003 F Bonds and announced by 10:00 a.m., New York City time, on such Business Day. The Daily Rate for any day during the Daily Rate Period which is not a Business Day shall be the Daily Rate established on the immediately preceding Business Day. The Fiscal 2003 F-2 Bonds will bear interest in the Daily Rate Mode unless and until converted to another Rate Mode.

If for a Fiscal 2003 F Bond bearing interest in the Daily Rate Mode (i) a Daily Rate for a Business Day has not been determined by the Remarketing Agent, (ii) no Remarketing Agent therefor shall be serving under the Resolutions, (iii) the Daily Rate determined by the Remarketing Agent cannot for any reason be in effect for such Business Day or (iv) pursuant to the Remarketing Agreement relating thereto the Remarketing Agent is not then required to establish a Daily Rate, the Daily Rate for such Business Day will be the TBMA Municipal Index on the date such Daily Rate was to have been determined by the Remarketing Agent.

Weekly Rate Period. Except as described below, the Weekly Rate for any Fiscal 2003 F Bonds in the Weekly Rate Mode is to be determined by the Remarketing Agent and announced by 4:00 p.m., New York City time, on Wednesday of each week or, if Wednesday is not a Business Day, on the next succeeding Business Day. Each Weekly Rate will be in effect for a seven-day period commencing on Thursday and continuing through the next succeeding Wednesday. However, if the Conversion Date upon which a Rate Period has been converted to a Weekly Rate Period is not a Thursday, the initial Weekly Rate will commence on the Conversion Date and will continue through the next succeeding Wednesday which may be less than seven days. The Weekly Rate for each Weekly Rate Period will be determined by the Remarketing Agent for the related Fiscal 2003 F Bonds and announced by 4:00 p.m., New York City time, on the Business Day before the Conversion Date. At the end of the Initial Period applicable thereto, the Fiscal 2003 F-1 Bonds will bear interest in the Weekly Rate Mode unless and until converted to another Rate Mode.

If for any Fiscal 2003 F Bonds bearing interest in the Weekly Rate Mode (i) a Weekly Rate has not been determined by the Remarketing Agent, (ii) no Remarketing Agent therefor shall be serving under the Resolutions, (iii) the Weekly Rate determined by the Remarketing Agent cannot for any reason be in effect or (iv) pursuant to the related Remarketing Agreement the Remarketing Agent is not then required to establish a Weekly Rate, the Weekly Rate will be the TBMA Municipal Index on the date such Weekly Rate was to have been determined by the Remarketing Agent.

Commercial Paper Rate Period. Except as described below, the Commercial Paper Rate for any Fiscal 2003 F Bond converted to the Commercial Paper Rate Mode is to be determined by the Remarketing Agent and announced by 1:30 p.m., New York City time, on the first day of each Commercial Paper Rate Period. Unless the Remarketing Agent specifies otherwise, each Commercial Paper Rate Period will be the shorter of (i) seven days, or (ii) the period remaining to and including the final maturity date of the Fiscal 2003 F Bonds. A Fiscal 2003 F Bond can have a Commercial Paper Rate Period, and bear interest at a Commercial Paper Rate, different from other Fiscal 2003 F Bonds in the Commercial Paper Rate Mode.

If for any Fiscal 2003 F Bonds bearing interest in the Commercial Paper Rate Mode (i) a Commercial Paper Rate has not been determined by the Remarketing Agent, (ii) no Remarketing Agent therefor shall be serving under the Resolutions, (iii) the Commercial Paper Rate determined by the Remarketing Agent cannot for any reason be in effect or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Commercial Paper Rate, the Commercial Paper Rate will be the TBMA Municipal Index on the date such Commercial Paper Rate was to have been determined by the Remarketing Agent.

Term Rate Period. Except as described below, the Term Rate for any Fiscal 2003 F Bond converted to the Term Rate Mode is to be determined by the Remarketing Agent not later than one day prior to the Term Rate Period and will be in effect from the first day of such Term Rate Period through the day prior to the commencement of the next Rate Period. If the Remarketing Agent is unable to remarket all of the Fiscal 2003 F Bonds at the interest rate determined by the Remarketing Agent pursuant to the previous sentence, the Remarketing Agent may at any time prior to the Conversion Date or Reset Date increase the interest rate to that rate which would enable the Fiscal 2003 F Bonds to be sold on such Conversion Date or Reset Date

at a price of par plus accrued interest. No less than twenty (20) Business Days prior to the commencement of each Term Rate Period, the Authority shall deliver to the Trustee and the Remarketing Agent written notice of the Authority's determination of the next succeeding Term Rate Period, which Term Rate Period shall end on a Business Day and shall not be the maturity date of such Fiscal 2003 F Bonds; provided, however, that if the Authority fails to specify the next succeeding Term Rate Period, such Term Rate Period shall be the shorter of (i) the same period as the immediately preceding Term Rate Period, or (ii) the period remaining to and including the final maturity date of the Fiscal 2003 F Bonds.

If for any reason the interest rate for the Fiscal 2003 F Bonds in the Term Rate Mode is not or cannot be a Term Rate determined by the Remarketing Agent, the Term Rate will be equal to Municipal Market Data General Obligation Yield on bonds with the same long term ratings that mature on the same date as the date on which the new Term Rate Period for such Fiscal 2003 F Bonds will end. Such interest rate shall be based upon the Municipal Market Data General Obligation yield for the most recent period for which information is available on the date the interest rate is to be determined. If such index or its equivalent is no longer published, the interest rate on such Fiscal 2003 F Bonds shall be the interest rate then currently in effect for such Fiscal 2003 F Bonds.

Fixed Rate Period. The Fixed Rate for any Fiscal 2003 F Bond converted to the Fixed Rate Mode is to be determined by the Authority and the Remarketing Agent or other investment banking firm or firms with which the Authority has entered into an agreement for the purchase, as underwriter, of the Fiscal 2003 F Bonds on the Conversion Date. If for any reason a Fixed Rate has not been determined as aforesaid, then the Rate Period shall convert to the Daily Rate Mode unless the Authority elects another Rate Mode for such Fiscal 2003 F Bonds and on or prior to the Conversion Date, an Opinion of Counsel is delivered to the Trustee and the Facility Provider, if any.

Purchased Bonds. Purchased Bonds will bear interest at the Purchased Bonds Rate, provided, that such rate shall not exceed the lesser of twenty five percent (25%) per annum and the maximum rate permitted by law (the "Purchased Bonds Maximum Rate"). If the Purchased Bonds Rate exceeds the Purchased Bonds Maximum Rate, then the Purchased Bonds will bear interest at the Purchased Bonds Maximum Rate, provided, that if, thereafter, the Purchased Bonds Rate is less than the Purchased Bonds Maximum Rate, then the Purchased Bonds will continue to bear interest at the Purchased Bonds Maximum Rate until the total interest paid and accrued with respect to such Purchased Bonds is equal to the total interest that the Holder thereof would have received if the Purchased Bonds had borne interest at the Purchased Bonds Rate without the foregoing limitation.

Optional Tender for Purchase

General. A Fiscal 2003 F Bond or any portion thereof equal to an Authorized Denomination may be tendered for purchase, at the Purchase Price, at the option of its registered owner on any Business Day during a Daily Rate Period or a Weekly Rate Period upon giving notice of the registered owner's election to tender in the manner and at the times described below. Notice of an election to tender a Fiscal 2003 F Bond registered in the name of Cede &

Co., as nominee of DTC, is to be given by the DTC Participant on behalf of the Beneficial Owner of the Fiscal 2003 F Bond and will not be given by DTC.

Notice of the election to tender for purchase a Fiscal 2003 F Bond registered in any other name is to be given by the registered owner of such Fiscal 2003 F Bond or its attorney-in-fact.

The notice must state the name of the registered owner or the Beneficial Owner, the principal amount of the Fiscal 2003 F Bond to be tendered for purchase and the Business Day on which the Fiscal 2003 F Bond or portion thereof to be tendered for purchase is to be purchased.

A DTC Participant or the registered owner of a Fiscal 2003 F Bond must give written notice of its irrevocable election to tender such Fiscal 2003 F Bond or a portion thereof for purchase at its option to the Tender Agent and to the Remarketing Agent, in the case of Fiscal 2003 F Bonds bearing interest in a Daily Rate Mode, by no later than 11:00 a.m. on any Business Day and in the case of Fiscal 2003 F Bonds bearing interest in a Weekly Rate Mode by no later than 5:00 p.m., New York City time, on any Business Day which is at least seven (7) days prior to the Business Day on which such Fiscal 2003 F Bond or portion thereof is to be purchased.

Mandatory Tender for Purchase

Fiscal 2003 F Bonds are subject to mandatory tender and purchase at the Purchase Price on the following dates (each a "Mandatory Tender Date"):

- (a) on each Conversion Date for Fiscal 2003 F Bonds being converted to a different Rate Mode;
- (b) on each Reset Date for so long as the Fiscal 2003 F Bonds bear interest in the Commercial Paper Rate Mode or the Term Rate Mode;
- (c) on the last Business Day of a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Mode or a Term Rate Mode, as the case may be, next preceding the effective date of any expiration or earlier termination of the Credit Facility then in effect, if at least thirty (30) days prior to such termination date the Credit Facility has not been extended or a substitute Credit Facility has not been obtained;
- (d) on the substitution of a Credit Facility, if, solely as a result of such substitution, Moody's, S&P and Fitch will reduce or withdraw the long-term or short-term ratings assigned to any portion of the Fiscal 2003 F Bonds; and
- (e) on the Business Day immediately preceding the date specified in the Notice of Default delivered by the Facility Provider in accordance with the provisions of the Credit Facility.

Fiscal 2003 F Bonds Deemed Purchased

The Fiscal 2003 F Bonds or portions thereof required to be purchased upon a tender at the option of the registered owner thereof or upon a mandatory tender will be deemed to have been tendered and purchased for all purposes of the Resolution, irrespective of whether such Fiscal

2003 F Bonds have been presented and surrendered to the Tender Agent, if on the Tender Date moneys sufficient to pay the Purchase Price thereof are held by the Tender Agent. The former registered owner of a Tendered Bond or a Fiscal 2003 F Bond deemed to have been tendered and purchased will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price, and such Fiscal 2003 F Bond or portion thereof will no longer be Outstanding for purposes of the Resolution.

Purchase Price and Payment

The Purchase Price of a Fiscal 2003 F Bond will be the principal amount of the Fiscal 2003 F Bond to be tendered, plus accrued and unpaid interest from the immediately preceding Bond Payment Date.

The Purchase Price of a Fiscal 2003 F Bond held in a book-entry only system will be paid, in same-day funds, to DTC in accordance with DTC's standard procedures for effecting same-day payments, as described herein under the heading "BOOK-ENTRY ONLY FORM." Payment will be made without presentation and surrender of the Fiscal 2003 F Bonds to the Tender Agent and DTC will be responsible for effecting payment of the Purchase Price to the DTC Participants.

The Purchase Price of any other Fiscal 2003 F Bond will be paid, in same-day funds, only after presentation and surrender of the Fiscal 2003 F Bond to the Tender Agent. Payment will be made by 2:30 p.m., New York City time, on the later of the Tender Date or the Business Day on which a Fiscal 2003 F Bond is presented and surrendered to the Tender Agent.

The Purchase Price is payable solely from, and in the following order of priority: (i) the proceeds of the remarketing of Fiscal 2003 F Bonds tendered for purchase, (ii) moneys made available by the Facility Provider under the applicable Credit Facility and (iii) other Available Moneys furnished by or on behalf of the Authority for the purchase of Fiscal 2003 F Bonds.

Remarketing of Fiscal 2003 F Bonds Upon Tender

Pursuant to the Remarketing Agreements, the Remarketing Agent for a Sub-Series of Fiscal 2003 F Bonds is required to use its best efforts to remarket such Fiscal 2003 F Bonds tendered or deemed tendered for purchase. The Remarketing Agreement sets forth, among other things, certain conditions to the Remarketing Agent's obligations to remarket Fiscal 2003 F Bonds. If any of the conditions are not satisfied, or if the remarketing Agent is otherwise unable to remarket any Fiscal 2003 F Bonds, the Purchase Price of such Fiscal 2003 F Bonds will be paid from amounts obtained from the Facility Provider under the applicable Credit Facility, if any, as described below, or from any other Available Moneys furnished by or on behalf of the Authority.

On each Tender Date for Fiscal 2003 F Bonds, the Remarketing Agent is to give notice to the Tender Agent specifying the principal amount of Fiscal 2003 F Bonds which have been tendered for purchase and remarketed. The Tender Agent is, on such Tender Date, to obtain funds under the applicable Credit Facility in accordance with its terms in an amount equal to the difference between the Purchase Price of the Fiscal 2003 F Bonds subject to purchase and the remarketing proceeds available to the Tender Agent.

Credit Facilities

The Authority is required to provide a Credit Facility for the benefit of the Owners of the Fiscal 2003 F Bonds for so long as such Fiscal 2003 F Bonds bear interest at an Initial Rate, a Daily Rate, a Weekly Rate or a Commercial Paper Rate. The Authority is also required to provide a Credit Facility during any Term Rate Period if solely as a result of the failure to provide such a Credit Facility, the long term ratings on any Fiscal 2003 F Bonds would be reduced by any Rating Agency.

To the extent the Purchase Price is not provided by the remarketing of Fiscal 2003 F-1 Bonds, the Purchase Price thereof will be paid pursuant to a Standby Bond Purchase Agreement (the "Sub-Series F-1 Standby Purchase Agreement"), between the Authority and Dexia Cr dit Local, acting through its New York Agency (the "Sub-Series F-1 Facility Provider").

To the extent the Purchase Price is not provided by the remarketing of Fiscal 2003 F-2 Bonds, the Purchase Price thereof will be paid pursuant to a Standby Bond Purchase Agreement (the "Sub-Series F-2 Standby Purchase Agreement" and, collectively with the Sub-Series F-1 Standby Purchase Agreement, the "Standby Purchase Agreements"), between the Authority and Bayerische Landesbank, acting through its New York Branch (the "Sub-Series F-2 Facility Provider" and, collectively with the Sub-Series F-1 Facility Provider, the "Facility Providers").

Each Standby Purchase Agreement represents a separate obligation of the Facility Provider for the related Sub-Series of Fiscal 2003 F Bonds and is a Credit Facility as defined in the Resolutions. The Purchase Price under each Standby Purchase Agreement is equal to the Outstanding principal of and up to 35 days' interest on the applicable Sub-Series of the Fiscal 2003 F Bonds at an assumed interest rate of nine percent (9%) per annum on the basis of a 365 day year. The scheduled Termination Date of the Credit Facility for the Fiscal 2003 F-1 Bonds is May 6, 2006 and the scheduled Termination Date of the Credit Facility for the Fiscal 2003 F-2 Bonds is May 6, 2008.

Fiscal 2003 F Bonds the Purchase Price of which was paid from moneys made available under a Standby Purchase Agreement and not otherwise remarketed will be registered in the name of the applicable Facility Provider or its nominee ("Purchased Bonds") and all interest accruing thereon from the last date to which interest was paid will accrue for the benefit of and be payable to such Facility Provider. The obligation of the Authority to repay amounts advanced by such Facility Provider under a Standby Purchase Agreement to purchase Fiscal 2003 F Bonds will be evidenced by the Fiscal 2003 F Bonds purchased by the Facility Provider.

Each Standby Purchase Agreement may be terminated by the respective Facility Provider immediately and without notice upon the occurrence of certain events of default (each a "Termination Event"). Termination Events include (i) the Authority shall fail to pay when due any amount payable under the Fiscal 2003 F Bonds, (ii) any default by the Authority shall have occurred and be continuing in the payment of principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued, assumed or guaranteed by the Authority, (iii) if the Authority shall file a petition or otherwise seek relief under any federal or State bankruptcy or similar law, (iv) each of Moody's, S&P and Fitch shall assign a rating to the unenhanced debt obligations of the Authority issued under and secured by the lien of the General

Resolution below “Baa3” in the case of Moody’s or “BBB-” in the case of S&P and Fitch or Moody’s, S&P and Fitch shall withdraw or suspend any such rating, (v) (I) the State or any other governmental authority having jurisdiction over the Authority imposes a debt moratorium, debt restructuring, debt adjustment or comparable restriction on repayment when due and payable of the principal of or interest on any debt obligations of the Authority secured by a lien on Revenues or (II) the Authority (a) applies for or consents to the appointment of, or there shall have occurred the taking or possession by, a receiver, custodian, trustee, liquidator or sequestrator (or other similar official) of itself or of all or of a substantial part of its property or assets, (b) admits in writing its inability, or is generally unable, to pay its debts as they become due, (c) makes a general assignment for the benefit of creditors, (d) files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, winding-up or composition or adjustment of debts, (e) files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, winding-up or composition or adjustment of debts, or (f) takes any action for the purpose of effecting any of the acts set forth in clauses (II) (a) through (II) (d) of this clause (v); or (vi) a final, nonappealable judgment shall be issued by a court of competent jurisdiction that the Fiscal 2003 Series F Bonds or any material provision of the Standby Bond Purchase Agreements or of the General Resolution shall cease for any reason to be valid and binding, or the Authority shall initiate legal proceedings or assert in legal proceedings that the Fiscal 2003 Series F Bonds or any material provision of the Standby Bond Purchase Agreements or of the General Resolution is invalid or that the Authority has no liability thereon.

Additionally, each Sub-Series of Fiscal 2003 F Bonds is subject to mandatory tender at the option of the Facility Provider for such Sub-Series upon the occurrence of certain other events of default (each a “Tender Event”). Tender Events include (i) failure of the Authority to pay the fees provided for under such Standby Purchase Agreement, (ii) failure by the Authority to observe certain covenants contained in the Standby Purchase Agreement relating to maintenance of the existence of the Authority, amendment of the Agreement, the Remarketing Agreement, the Supplemental Resolution or the Fiscal 2003 F Bonds without the consent of the Facility Providers for such Sub-Series, or conversion of the Fiscal 2003 F Bonds to a Fixed Rate as described in the succeeding paragraph, (iii) any representation, warranty, certification or statement made by the Authority in the Standby Purchase Agreement, the General Resolution, the Agreement or the Lease shall prove to have been incorrect in any material respect when made or (iv) the occurrence of certain events of default under the General Resolution.

Each Standby Purchase Agreement requires the Authority to convert Fiscal 2003 F Bonds to the Fixed Rate on a date not more than six months (or such later date as may be specified by the Facility Provider) from the date of receipt by the Authority of a notice from the Facility Provider for such Sub-Series, directing such conversion following the occurrence of certain events (each a “Conversion Event”). Conversion Events include (i) the ratings assigned by Moody’s, S&P or Fitch to the Fiscal 2003 F Bonds are withdrawn or reduced below “Baa1,” “BBB+” or “BBB+,” respectively, (ii) during any consecutive 12-month period, the product of (A) the principal amount of Fiscal 2003 F Bonds owned by the Facility Provider and (B) the number of calendar days during such 12-month period that such Fiscal 2003 F Bonds are owned by the Facility Provider exceeds the product of 90 and the average daily amount of the Available Allocated Principal Commitment for such Fiscal 2003 F Bond during such 12-month period, determined in accordance with the applicable Standby Purchase Agreement, (iii) Purchased

Bonds remain outstanding for at least 90 days following the end of the Purchase Period, (iv) the occurrence of a Tender Event or (v) the Fiscal 2003 F Bonds shall cease for any reason to be valid, binding and enforceable special obligations of the Authority or the Authority shall initiate legal proceedings or assert in legal proceedings that the Fiscal 2003 F Bonds are invalid or unenforceable or that the Authority has no liability thereon.

The preceding is a summary of certain provisions expected to be included in the Standby Purchase Agreements and the proceedings under which the Fiscal 2003 F 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 Facility Providers is included herein as Appendices E-1 and E-2. Neither the Authority nor any Underwriter makes any representation with respect to the information in Appendices E-1 and E-2.

Substitution of Credit Facility

The Authority may replace the Credit Facility with a substitute Credit Facility upon the satisfaction of certain requirements set forth in the Resolutions and the Credit Facility, including but not limited to receipt by the Trustee of: (i) written advice from each of Moody's, S&P and Fitch that upon such substitution the rating assigned thereby to the Fiscal 2003 F Bonds will not be reduced, suspended or withdrawn as a result of such substitution; (ii) an opinion of counsel to the new Facility Provider to the effect that such substitute Credit Facility constitutes a legal, valid and binding obligation of such Facility Provider enforceable in accordance with its terms, subject only to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights insofar as the same may be applicable in the event of a bankruptcy, insolvency, moratorium or other similar proceeding or occurrence with respect to such Facility Provider and to equitable principles; (iii) an Opinion of Bond Counsel with respect to the substitution or replacement of the substitute Credit Facility; and (iv) the written consent of an Authorized Officer of the Authority.

If, however, the long-term or short-term ratings assigned to any of the Fiscal 2003 F Bonds by Moody's, Fitch and S&P would be reduced or withdrawn solely as a result of the substitution, the Sub-Series of the Fiscal 2003 F Bonds to which the substituted Credit Facility relates will be subject to mandatory tender.

No later than fifteen (15) days prior to the effective date of the substitute Credit Facility the Tender Agent shall give notice to the holders of the Outstanding Fiscal 2003 F Bonds of such Sub-Series, which notice shall contain, among other things: (i) a description of such substitute Credit Facility (including the date of expiration of such Credit Facility); (ii) the name of the Facility Provider of such substitute Credit Facility; (iii) a statement as to the ratings on the Fiscal 2003 F Bonds as a result of the substitution of such substitute Credit Facility for the then existing Credit Facility; and (iv) a statement that the Opinion of Bond Counsel and the opinion of counsel to the Facility Provider necessary for such substitute Credit Facility to become effective have been obtained. The failure of any Holder of a Fiscal 2003 F Bond to receive such notice shall not affect the validity of the proceedings in connection with the effectiveness of such substitute Credit Facility.

Redemption of Fiscal 2003 F Bonds

Optional Redemption—Daily, Commercial Paper or Weekly Rate Periods. The Fiscal 2003 F Bonds, while they bear interest at a Daily Rate, Commercial Paper Rate or a Weekly Rate, are subject to redemption prior to maturity at the election or direction of the Authority, in whole or in part, at the redemption price of 100% of the principal amount of the Fiscal 2003 F Bonds to be redeemed, plus accrued interest, if any, to the redemption date (i) in the case of Fiscal 2003 F Bonds in a Daily Rate Mode or Weekly Rate Mode, on any Bond Payment Date, or (ii) in the case of Fiscal 2003 F Bonds in a Commercial Paper Rate Mode, on a Reset Date.

Optional Redemption—Term Rate Period and Fixed Rate Period. Unless, at the time the Fiscal 2003 F Bonds are converted to the Term Rate Mode or the Fixed Rate Mode, the Authority establishes other dates and Redemption Prices at which such Fiscal 2003 F Bonds may be redeemed at the option of the Authority, the Fiscal 2003 F Bonds converted to bear interest in the Term Rate Mode or the Fixed Rate Mode shall be subject to redemption prior to maturity at the election of the Authority, in whole or in part, on any date beginning on the tenth anniversary of the conversion to such Rate Mode, at a Redemption Price equal to 100% of the principal amount of each Fiscal 2003 F Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption.

Selection of Bonds to be Redeemed

In the event less than all of the Outstanding Fiscal 2003 F Bonds of like maturity are to be redeemed prior to maturity, the Trustee shall select for redemption, using such method of selection as it deems proper in its discretion, the Purchased Bonds of such maturity before selecting any other Fiscal 2003 F Bonds of such maturity for redemption. Fiscal 2003 F Bonds of such maturity which are not Purchased Bonds shall be selected by the Trustee in accordance with the provisions of the General Resolution.

Notice of Redemption

Notice of redemption is to be given by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption, to the registered owners of Fiscal 2003 F Bonds to be redeemed at their addresses shown on the books of registry. So long as Cede & Co., as nominee of DTC, is the registered owner of the Fiscal 2003 F Bonds, notice of redemption is to be sent to DTC. No assurance can be given by the Authority that DTC participants will promptly transmit notices of redemption to Beneficial Owners.

If, on any redemption date, moneys for the redemption of the Fiscal 2003 F Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available therefor on such date, and if notice of redemption has been mailed, then interest on the Fiscal 2003 F Bonds to be redeemed will cease to accrue from and after the redemption date and such Fiscal 2003 F Bonds will no longer be considered to be Outstanding under the Resolution.

The notice of redemption may provide that the Fiscal 2003 F Bonds will be due and payable on the redemption date only if moneys sufficient to accomplish such redemption are held by the Trustee on the scheduled redemption date.

**RATE PERIOD TABLE
FOR FISCAL 2003 F BONDS**

	DAILY RATE	WEEKLY RATE	COMMERCIAL PAPER RATE	TERM RATE	FIXED RATE
Bond Payment Date	15th day of each calendar month	15th day of each calendar month	If Rate Period is 270 days or less, the next succeeding Reset Date or Conversion Date, and if Rate Period is more than 270 days (i) next succeeding Reset Date or Conversion Date and (ii) 180 days prior to such Reset Date or Conversion Date	June 15th and December 15th	June 15th and December 15th
Days Interest	365-day or 366-day year for actual number of days elapsed	365-day or 366-day year for actual number of days elapsed	365-day or 366-day year for actual number of days elapsed	360-day year of twelve 30-day months	360-day year of twelve 30-day months
Record Date	Business Day prior to each Bond Payment Date	Business Day prior to each Bond Payment Date	Business Day prior to each Bond Payment Date	First day of the calendar month during which interest is payable	First day of the calendar month during which interest is payable
Reset Date	Not later than 10:00 a.m. on each Business Day	Not later than 4:00 p.m. on each Wednesday or, if not a Business Day, on the next Business Day	Not later than 1:30 p.m. on the first day of each Commercial Paper Rate Period	One Business Day prior to the first day of the Term Rate Period.	Conversion Date
Commencement of Rate Period	Reset Date of Conversion Date	One the Business Day following a Reset Date or Conversion Date	Reset Date or Conversion Date	Reset Date or Conversion Date	Conversion Date
Optional Tender Date	Any Business Day	Any Business Day	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Notice Period for Optional Tenders	Written notice not later than 11:00 a.m. on any Business Day	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Tender Date	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Tender Date for Tendered Bonds (optional tender)	Not later than 1:00 p.m. on the Optional Tender Date	Not later than 1:00 p.m. on the Optional Tender Date	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Payment Date for Tendered Bonds (optional tender)	Not later than 2:30 p.m. on the Optional Tender Date	Not later than 2:30 p.m. on the Optional Tender Date	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Payment Date for Tendered Bonds (mandatory tender)	Not later than 2:30 p.m. on the Tender Date	Not later than 2:30 p.m. on the Tender Date	Not later than 2:30 p.m. on the Tender Date	Not later than 2:30 p.m. on the Tender Date	Not subject to mandatory tender

USE OF PROCEEDS

It is anticipated that the proceeds of the Fiscal 2003 F Bonds will be applied in the following manner:

Deposit to the Escrow Fund	\$191,220,127
Deposit to Debt Service Reserve Fund	9,659,275
Costs of Issuance*	150,000
Underwriter's Discount	21,140
Deposit to Construction Fund	<u>604,458</u>
Principal Amount of Fiscal 2003 F Bonds	\$201,655,000

* Includes fees and expenses relating to the Credit Facilities.

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the amount required to be paid during each Fiscal Year ending June 30 shown below for the payment of principal of and the interest on Bonds issued under the Authority General Resolution and the Authority Second Resolution after giving effect of the issuance of the Fiscal 2003 F Bonds, and assuming that Variable Rate Bonds (including the Fiscal 2003 F Bonds) bear interest at a rate of 1.71% for Fiscal Year 2003, 3.24% for Fiscal Year 2004, and 4.25% thereafter.

Fiscal Year Ending June 30	Debt Service on Outstanding Bonds (1)(2)(3)	Debt Service on Authority Outstanding Second Resolution Bonds (2)	Fiscal 2003 Series F			Debt Service on Bonds including Fiscal 2003 Series F Bonds (1)(2)(3)	Debt Service on Bonds including Fiscal 2003 Series F and Second Resolution Bonds (1)(2)(3)
			Principal	Interest	Total		
2003	\$ 502,542,309	\$ 156,254,932	\$ -	\$ 373,566	\$ 373,566	\$ 502,915,874	\$ 659,170,806
2004	518,891,713	178,068,959	-	6,533,622	6,533,622	525,425,335	703,494,294
2005	534,735,478	191,458,220	-	8,570,338	8,570,338	543,305,815	734,764,036
2006	518,297,423	197,233,780	-	8,570,338	8,570,338	526,867,761	724,101,541
2007	471,587,811	200,022,057	-	8,570,338	8,570,338	480,158,149	680,180,206
2008	553,274,337	206,677,811	-	8,570,338	8,570,338	561,844,675	768,522,486
2009	553,367,596	209,742,781	-	8,570,338	8,570,338	561,937,934	771,680,715
2010	540,976,103	217,382,532	-	8,570,338	8,570,338	549,546,441	766,928,973
2011	529,881,443	220,249,260	-	8,570,338	8,570,338	538,451,781	758,701,040
2012	529,880,163	227,941,761	-	8,570,338	8,570,338	538,450,501	766,392,262
2013	555,533,611	189,644,033	-	8,570,338	8,570,338	564,103,948	753,747,981
2014	570,847,498	175,715,116	-	8,570,338	8,570,338	579,417,836	755,132,952
2015	605,836,181	161,959,956	-	8,570,338	8,570,338	614,406,518	776,366,474
2016	605,785,551	162,257,059	-	8,570,338	8,570,338	614,355,888	776,612,947
2017	605,365,838	162,588,954	-	8,570,338	8,570,338	613,936,176	776,525,129
2018	613,328,688	159,194,883	-	8,570,338	8,570,338	621,899,026	781,093,909
2019	614,062,166	156,533,446	-	8,570,338	8,570,338	622,632,503	779,165,949
2020	614,232,469	147,215,749	-	8,570,338	8,570,338	622,802,807	770,018,556
2021	614,448,728	138,780,826	-	8,570,338	8,570,338	623,019,066	761,799,892
2022	614,792,406	136,142,352	-	8,570,338	8,570,338	623,362,743	759,505,096
2023	614,575,568	131,005,920	-	8,570,338	8,570,338	623,145,906	754,151,826
2024	615,271,862	93,661,206	-	8,570,338	8,570,338	623,842,200	717,503,405
2025	614,704,237	94,075,913	-	8,570,338	8,570,338	623,274,575	717,350,488
2026	615,737,866	84,032,048	-	8,570,338	8,570,338	624,308,203	708,340,252
2027	571,356,835	84,030,761	-	8,570,338	8,570,338	579,927,172	663,957,933
2028	561,642,160	74,250,737	-	8,570,338	8,570,338	570,212,497	644,463,234
2029	541,326,141	65,877,002	-	8,570,338	8,570,338	549,896,478	615,773,480
2030	562,022,597	51,502,449	-	8,570,338	8,570,338	570,592,935	622,095,383
2031	602,872,672	46,725,954	-	8,570,338	8,570,338	611,443,010	658,168,964
2032	612,272,503	19,773,234	-	8,570,338	8,570,338	620,842,841	640,616,074
2033	590,655,997	-	-	8,570,338	8,570,338	599,226,335	599,226,335
2034	462,408,372	-	-	8,570,338	8,570,338	470,978,710	470,978,710
2035	9,391,172	-	201,655,000	8,570,338	210,225,338	219,616,510	219,616,510
2036	9,391,172	-	-	-	-	9,391,172	9,391,172
2037	9,391,172	-	-	-	-	9,391,172	9,391,172
2038	109,391,172	-	-	-	-	109,391,172	109,391,172
2039	4,391,172	-	-	-	-	4,391,172	4,391,172
2040	4,391,172	-	-	-	-	4,391,172	4,391,172
2041	4,391,172	-	-	-	-	4,391,172	4,391,172
2042	4,391,172	-	-	-	-	4,391,172	4,391,172
Total	\$18,387,643,703	\$4,339,999,691	\$201,655,000	\$272,587,650	\$474,242,650	\$18,861,886,354	\$23,201,886,045

Totals may not add due to rounding. Debt service is not included for bonds that have been refunded and are no longer Outstanding.

(1) Assumes that on the respective tender dates, the Crossover Bonds will be exchanged for the First Resolution Bonds and the proceeds of the respective series of Crossover Bonds will be applied to redeem certain Outstanding First Resolution Bonds.

(2) Net of anticipated capitalized interest, subsidy and surplus payments from EFC.

(3) Assumes that the maturities of Refundable Principal Installments will be amortized as provided in the definition of Adjusted Debt Service rather than paid in full at maturity.

BOOK-ENTRY ONLY FORM

DTC will act as securities depository for the Fiscal 2003 F Bonds. The Fiscal 2003 F Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as shall be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Fiscal 2003 F 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 DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both United States and non-United States securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation ("NSCC"), Government Securities Clearing Corporation ("GSCC"), MBS Clearing Corporation ("MBSCC"), and Emerging Markets Clearing Corporation ("EMCC") (NSCC, GSCC, MBSCC and EMCC are also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such both United States and non-United States 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. Additional information about DTC can be obtained from DTC

Purchases of Fiscal 2003 F Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Fiscal 2003 F Bonds on DTC's records. The ownership interest of each actual purchaser of each Fiscal 2003 F 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Fiscal 2003 F Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Fiscal 2003 F Bonds, except in the event that use of the book-entry system for the Fiscal 2003 F Bonds is discontinued.

To facilitate subsequent transfers, all Fiscal 2003 F Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of

any series of bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of any Fiscal 2003 F 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all the Fiscal 2003 F 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. (nor any other DTC nominee) will consent or vote with respect to Fiscal 2003 F Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Fiscal 2003 F Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Fiscal 2003 F Bonds purchased or tendered, through its participant, to the Remarketing Agent, and shall effect delivery of such Fiscal 2003 F Bonds by causing the Direct Participant to transfer the Participant's interest in such Fiscal 2003 F Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of such Fiscal 2003 F Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in such Fiscal 2003 F Bonds are transferred by Direct Participants on DTC's records and followed by book-entry credit of tendered Fiscal 2003 F Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Fiscal 2003 F Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

The foregoing information under the heading "Book-Entry Only Form" concerning DTC and DTC's book-entry system has been obtained by e-mail from DTC in response to an e-mail request for information made on behalf of the Authority to a website maintained by DTC. Neither the Authority nor the Trustee makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereto.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

FURTHER INFORMATION

The references herein and in the Series 2003 E Official Statement to and summaries of federal, State and local laws, and documents, agreements and court decisions, including but not limited to the Lease, the Agreement and the Resolutions are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions. Copies of the Lease, the Agreement and the Resolutions are available for inspection during normal business hours at the office of the Authority.

Any statements in this Official Statement and the Series 2003 E Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. None of this Official Statement, the Series 2003 E Official Statement nor any statement which may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Fiscal 2003 F Bonds.

TAX EXEMPTION

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Fiscal 2003 F Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Fiscal 2003 F Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Fiscal 2003 F Bonds. The Authority has covenanted in the Sixty-fifth Supplemental

Resolution to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Fiscal 2003 F Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the Fiscal 2003 F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Fiscal 2003 F Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that the interest on the Fiscal 2003 F Bonds is exempt, under existing law, from personal income tax of the State of New York and its political subdivisions, including The City of New York.

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Fiscal 2003 F Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain “qualified” obligations. The Fiscal 2003 F Bonds are not “qualified” obligations for this purposes.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds \$2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the Fiscal 2003 F Bonds will constitute disqualified income for this purpose.

Changes in Federal Tax Law and Post Insurance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Fiscal 2003 F Bonds, and thus on the economic value of the Fiscal 2003 F Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Fiscal 2003 F Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Fiscal 2003 F Bonds may be proposed or enacted.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Fiscal 2003 F Bonds may affect the tax status of interest on the Fiscal 2003 F Bonds. Bond Counsel expresses no opinion as to any federal, State or local tax law consequences with respect to the Fiscal 2003 F Bonds, or the interest thereon, if any action is taken with respect to the Fiscal 2003 F Bonds or the proceeds thereof upon the advice or approval of other counsel.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

For so long as the Fiscal 2003 F Bonds bear interest in a Rate Period other than the Initial Rate Period, a Daily Rate Period, a Weekly Rate Period or a Commercial Paper Rate Period of 270 days or less, and to the extent that rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (“SEC”) under the Securities and Exchange Act of 1934, as amended (the “1934 Act”), requires the Underwriter to determine, as a condition to purchasing the Fiscal 2003 F Bonds, that the Authority will covenant to the effect of the provisions here summarized (the “Undertaking”), and the Rule as so applied is authorized by a federal law that as so construed is within the powers of Congress, the Authority agrees with the record and beneficial owners from time to time of the Fiscal 2003 F Bonds (“Bondholders”) that it will:

- (1) within 240 days after the end of the 2003 Fiscal Year and each subsequent Fiscal Year, deliver to each nationally recognized municipal securities information

repository and to any New York State information depository, core financial information and operating data for the prior Fiscal Year, including (i) the System's audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical financial and operating data concerning the System and the Revenues of the System generally of the type included in the Series 2003 E Official Statement under the captions "CAPITAL IMPROVEMENT AND FINANCING PROGRAM," "FINANCIAL OPERATIONS" and "RATES AND BILLINGS" and "THE SYSTEM" in the Series 2003 E Official Statement and

(2) provide in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to any New York State information depository, notice of any of the following events with respect to the Fiscal 2003 F Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) in the case of credit enhancement that is provided in connection with the issuance of the Fiscal 2003 F Bonds, unscheduled draws on such credit enhancement reflecting difficulties and substitution of credit providers, or their failure to perform;
- (d) unscheduled draws on debt service services reflecting financial difficulties;
- (e) adverse opinions or events affecting the exclusion from gross income for federal income tax purposes of interest on the Fiscal 2003 F Bonds;
- (f) modifications to rights of security holders;
- (g) bond calls;
- (h) defeasances;
- (i) release, substitution, or sale of property securing repayment of the securities;
- (j) rating changes; and
- (k) failure by the Authority to comply with clause (1) above.

The Authority expects to provide the information described in clause (1) above by delivering its first bond official statement that includes its financial statements for the preceding fiscal year.

Currently, there is no New York State information depository and the nationally recognized municipal securities information repositories are: Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; Standard & Poor's J.J. Kenny Repository, 55 Water Street, 45th Floor, New York, New York 10041; FT Interactive Data, 100 William Street, New York, New York 10038 and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Undertaking or for any remedy for breach thereof, unless such Bondholder has filed with the Authority evidence of ownership and a written notice of and request to cure such breach, and the Authority has not complied within a reasonable time; provided, however, that any Proceeding challenging the adequacy of any information provided

pursuant to paragraphs (1) and (2) above may be brought only by the Trustee or the holders of a majority in aggregate principal amount of the Bonds affected thereby which at the time are Outstanding. All Proceedings may be instituted only as specified herein, in the Federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the Outstanding Bonds benefited by the same or a substantially similar covenant. No remedy may be sought or granted other than specific performance of the covenant at issue.

Any amendment to the Undertaking will take effect only if:

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

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

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

RATINGS

Fitch, Inc. has rated the Fiscal 2003 F Bonds “AA/F1+”. Moody’s Investors Service has rated the Fiscal 2003 F Bonds “Aa2/VMIG 1”. Standard & Poor’s Rating Services has rated the Fiscal 2003 F Bonds “AA/A-1+”. Each such short term rating takes into account the Standby Bond Purchase Agreements. Such ratings reflect only the views of the respective rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that any or all of such ratings will continue for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market price of the Fiscal 2003 F Bonds.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the Underwriter, has agreed, subject to certain conditions, to purchase the Fiscal 2003 F Bonds from the Authority at an aggregate price which is \$21,140 less than the total initial offering price. The Underwriter’s obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Fiscal 2003 F Bonds if any of the Fiscal 2003 F Bonds are purchased. The Fiscal 2003 F Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Fiscal 2003 F Bonds into investment trusts) and others at prices lower than such public offering prices and such price offering prices may be changed, from time to time, by the Underwriter.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Fiscal 2003 F Bonds is subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel. The form of opinion of Bond Counsel is attached as Appendix G hereto. Certain legal matters will be passed upon for the City and the Board by the City’s Corporation Counsel. Certain legal matters will be passed upon for the Underwriter by Willkie Farr & Gallagher, New York, New York. Certain legal matters will be passed upon for the Facility Providers by their special counsel, King & Spalding LLP.

NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY

By: /s/ Alan Anders
Executive Director

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**CERTAIN INFORMATION CONCERNING
DEXIA CRÉDIT LOCAL**

Dexia Crédit Local (“Dexia”) is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of more than 17 billion euros as of March 14, 2001, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group’s first line of business—public and project finance and financial services for the public sector. Worldwide, Dexia federates group entities involved in this business and spearheads their development. Dexia has recognized expertise in local sector financing and project finance. It is backed by a network of specialized banks, which employ 2,500 professionals.

Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union. It is progressively expanding its activities to Asia Pacific, South America and the Caribbean, and countries around the Mediterranean. Dexia, known as Dexia Public Finance Bank until March 8, 2001, is a bank with its principal office located in Paris, France. In issuing the facility, Dexia will act through its New York Agency, which is licensed by the Banking Department of the State of New York as an unincorporated agency of Dexia Crédit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2001 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2001, total funding raised by Dexia and Dexia Municipal Agency was 12.4 billion euros.

The acquisition by the Dexia Group of Financial Security Assurance Holdings Ltd. (“FSA Holdings”), the holding company for FSA was completed on July 5, 2000. As of December 31, 2001, Dexia had total consolidated assets of 155.5 billion euros, outstanding medium and long term loans to customers of 129 billion euros and shareholders’ equity of nearly 3.3 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 644 million euros, determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2001, the exchange rate was 1.0000 euro equals 0.8813 United States dollar. Such exchange rate fluctuates from time to time. Dexia is rated Aa2 long-term and P-1 short-term by Moody’s, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Crédit Local, New York Agency, 445 Park Avenue, 8th Floor, New York, New York 10022, Attention: General Manager. The delivery of

this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

CERTAIN INFORMATION CONCERNING BAYERISCHE LANDESBANK

Bayerische Landesbank (the "Bank") was incorporated as a public law financial institution (Rechtsfähige 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 Association of Bavarian Savings Banks (Bayerischer Sparkassen-und Giroverband) (which is the central organization of the Bavarian Savings Banks). In March 2001 the Free State of Bavaria and the Association of Bavarian Savings Banks announced that a new holding company will be holding the Bank (the Free State of Bavaria and the Association of Bavarian Savings Banks will remain shareholders of this holding company); the Statutes of the Bank and the Law on Bayerische Landesbank (formerly known as the Law Establishing Bayerische Landesbank Girozentrale) have recently been amended accordingly and now provide for this future restructuring.

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 Bavarian Savings Bank and Clearing Association currently are jointly and severally liable for the obligations of the Bank if the liabilities cannot be satisfied from the Bank's assets (Gewährträgerhaftung). The owners of the Bank also currently 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. However, following a complaint with the European Commission against this Gewährträgerhaftung and Anstaltslast there has been an "Understanding on Anstaltslast and Gewährträgerhaftung" between the European Commission and the German Authorities in July 2001, representing (among others) that "Gewährträgerhaftung shall be abolished" and Anstaltslast shall be replaced by a financial relationship "not different from a normal commercial owner relationship governed by market economy principles, just as between a private shareholder and a limited liability company". The Understanding includes a transitional arrangement that liabilities existing on July 18, 2001 will continue to be covered by Gewährträgerhaftung until their maturities and that there will be a transitional period until July

18, 2005, during which any liability existing by then and created after July 18, 2001 will continue to be covered by Gewährträgerhaftung provided that its maturity does not go beyond December 31, 2015.

The Bank established a Representative 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 German Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), an independent federal authority with regulatory powers in cooperation with 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; the Bank is subject to the supervision by the Bavarian State Ministries of Finance and of the Interior.

As reported in the Bank's Annual Report for the Fiscal Year ended December 31, 2001, the Bank had total assets of EURO ("EUR") 301.3 billion (\$265.5 billion at \$0.8813 = EUR 1.00 at 12/31/01) on a consolidated basis. Business volume (balance sheet total, own drawings charged to borrowers, endorsement liabilities, and guarantees) expanded by 5.7% to EUR 321.7 billion (\$283.5 billion) from the previous year end. The Bank's consolidated lending volume increased 1.7% to EUR 206.7 billion (\$182.2 billion) from year end 2000. Total equity of the Bank, including, among other items, nominal capital of EUR 1.2 billion (\$1.06 billion), profits participation rights with a nominal value of EUR 2.83 billion (\$2.49 billion) and capital contributions of silent partners in an amount of EUR 2.89 billion (\$2.55 billion), totaled EUR 11.1 billion (\$9.78 billion) or 3.7 % of the consolidated balance sheet. Net income amounted to EUR 254.0 million (\$223.9 million), a decrease of 53.8% compared to year end 2000. EUR 82.3 million (\$72.5 million) of such amount has been allocated to revenue reserves, raising the bank's published reserve to EUR 4.13 billion (\$3.6 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. (At 10/8/02, \$0.9870 = EUR 1.00).

The rate of exchange between the EUR and the 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. 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, 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 Official Statement other than the information contained in this Section relating to the Bank.

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GLOSSARY

Set forth below are definitions of certain terms contained in the Sixty-fifth Supplemental Resolution and not otherwise defined in this Official Statement or the Series 2003 E Official Statement.

“Agreement” shall mean the Financing Agreement, dated as of July 1, 1985, among the City, the Authority and the Board, as amended from time to time.

“Authority Available Moneys Account” shall mean the Authority Available Moneys Account established pursuant to Section 5.01.

“Authorized Denominations” means (a) during the Initial Rate Period, any Daily Rate Period, any Commercial Paper Rate Period, or any Weekly Rate Period, \$100,000 or any integral multiple of \$5,000 in excess thereof and (b) during any Term Rate Period or the Fixed Rate Period, \$5,000 or any integral multiple thereof.

“Available Moneys” means (i) so long as a Credit Facility is required by the Sixty-fifth Supplemental Resolution to be maintained, (a) moneys obtained by the Tender Agent from the Facility Provider thereof pursuant to such Credit Facility and held by the Tender Agent in accordance with the Sixty-fifth Supplemental Resolution for payment of the Purchase Price of the 2003 Series F Bonds, (b) moneys derived from the remarketing of 2003 Series F Bonds which are directly paid to and held by the Tender Agent for the payment of the Purchase Price of 2003 Series F Bonds in accordance with the Sixty-fifth Supplemental Resolution, (c) moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least one hundred twenty-four (124) days prior to and during which no petition by or against the Authority, under the United States Bankruptcy Code of 1978, as amended, 11 U.S.C. Sec. 101 et seq. (the “Bankruptcy Code”) shall have been filed or any bankruptcy or similar proceeding shall have been commenced, unless such petition or proceeding shall have been dismissed and such dismissal shall be final and not subject to appeal, (d) any other moneys the application of which to the payment of the Purchase Price of the 2003 Series F Bonds would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the Authority under the Bankruptcy Code and (e) the proceeds from the investment of moneys described in clauses (a) through (d) above, and (ii) at any other time, any moneys.

“Bond Payment Date” means an Interest Payment Date and a date on which the principal of a 2003 Series F Bond is due and payable upon its maturity or its redemption through a mandatory Sinking Fund Installment, but the principal does not include the Purchase Price of Tendered Bonds or the Redemption Price of a 2003 Series F Bond called for redemption at the option of the Authority pursuant to the Sixty-fifth Supplemental Resolution.

“Business Day” shall mean a day (a) other than a day on which commercial banks located in The City of New York are required or authorized by law or executive order to close or (b) on which the New York Stock Exchange is not closed.

“Commercial Paper Rate” means, with respect to each 2003 Series F Bond in a Commercial Paper Rate Mode, the rate at which each such 2003 Series F Bond bears interest during the Commercial Paper Rate Period applicable thereto, as established in accordance with the provisions of the Sixty-fifth Supplemental Resolution.

“Commercial Paper Rate Mode” means a Rate Mode in which a 2003 Series F Bond for its respective Commercial Paper Rate Period bears interest at a Commercial Paper Rate.

“Commercial Paper Rate Period” means, with respect to a particular 2003 Series F Bond, a period of one to three hundred sixty-five (1 to 365 days) during which such 2003 Series F Bond bears interest at a Commercial Paper Rate; **provided, however,** that the first day immediately following the last day of each Commercial Paper Rate Period shall in all events be a Business Day.

“Conversion Date” means the day on which the interest rate on the 2003 Series F Bonds shall be converted from one Rate Mode to a different Rate Mode or was proposed to be converted from one Rate Mode to another Rate Mode, which date must be a Reset Date or an Interest Payment Date for such 2003 Series F Bonds.

“Conversion Notice” means a notice given pursuant to the provisions of the Sixty-fifth Supplemental Resolution regarding notice of conversion of Rate Modes.

“Credit Facility” means a Credit Facility as defined in the General Resolution pursuant to which the Facility Provider thereof is required to purchase or provide moneys for the purchase of 2003 Series F Bonds tendered or deemed tendered.

“Daily Rate” means the rate at which a 2003 Series F Bond in a Daily Rate Mode bears interest, as established in accordance with the provisions of the Sixty-fifth Supplemental Resolution.

“Daily Rate Mode” means a Rate Mode in which a 2003 Series F Bond in such Rate Mode bears interest at a Daily Rate.

“Daily Rate Period” means a period commencing on one Business Day and extending to, but not including, the next succeeding Business Day, during which 2003 Series F Bonds in the Daily Rate Mode bear interest at the Daily Rate.

“Direct Participant” shall mean a participant in the book-entry system of recording ownership interests in the 2003 Series F Bonds.

“DTC” shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its

capacity as Depository for the 2003 Series F Bonds, or any successor Depository for any 2003 Series F Bond.

“Electronic Means” shall mean telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

“Facility Provider” means (i) with respect to the Fiscal 2003 F-1 Bonds, Dexia Crédit Local acting through its New York Agency, (ii) with respect to the Fiscal 2003 F-2 Bonds, Bayerische Landesbank acting through its New York Branch, and (iii) any combination of (i) and/or (ii) any provider of any substitute or replacement credit facility in accordance with the provisions of the Sixty-fifth Supplemental Resolution.

“Fitch” means Fitch Inc., and its successors and assigns.

“Fixed Rate” means the rate at which a 2003 Series F Bond bears interest to its maturity during the Fixed Rate Period, as established in accordance with the provisions of the Sixty-fifth Supplemental Resolution.

“Fixed Rate Mode” means a Rate Mode in which a 2003 Series F Bond in such Rate Mode bears interest at a Fixed Rate.

“Fixed Rate Period” means from and including the Conversion Date and extending (i) to and including the date of maturity of a 2003 Series F Bond in the Fixed Rate Mode or (ii) to, but not including, the Conversion Date on which 2003 Series F Bonds in the Fixed Rate Mode are converted to another Rate Mode.

“Initial Rate” means the rate of interest per annum which in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as the 2003 Series F Bonds and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of the 2003 Series F Bonds, would be the lowest interest rate that would enable the 2003 Series F Bonds to be sold on the first day of the Initial Rate Period at a price of par.

“Initial Rate Period” means with respect to (i) the 2003 Series F-1 Bonds, the period commencing on the Issue Date and ending no later than May 14, 2003 and (ii) the 2003 Series F-2 Bonds, the period commencing on the Issue Date and ending no later than the Issue Date.

“Interest Payment Date” means (i) during the Initial Rate Period, any Daily Rate Period, or any Weekly Rate Period, the fifteenth (15th) day of each month, (ii) during any Commercial Paper Rate Period of 270 days or less, the next succeeding Reset Date or Conversion Date, (iii) during any Commercial Paper Rate Period of more than 270 days, the next succeeding Reset Date or Conversion Date and the date which is 180 calendar days prior to such Reset Date or Conversion Date and (iv) during any Term Rate

Period or the Fixed Rate Period, each June 15 and December 15; **provided, however**, that interest on the Purchased Bonds shall be payable at the times required by the Credit Facility. If any such date is not a Business Day, the Interest Payment Date shall be the succeeding Business Day.

“Issue Date” means May 6, 2003.

“Mandatory Tender Date” means any date on which the 2003 Series F Bonds are required to be purchased in accordance with the provisions of the Sixty-fifth Supplemental Resolution.

“Maximum Rate” means (i) in the case of 2003 Series F Bonds bearing interest at a Rate other than the Purchased Bonds Rate shall mean the lesser of nine percent (9%) per annum and the maximum rate permitted by law or (ii) in the case of 2003 Series F Bonds bearing interest at a Purchased Bonds Rate the lesser of twenty-five percent (25%) per annum and the maximum rate permitted by law.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns.

“Official Statement” shall mean the final official statement relating to the 2003 Series F Bonds.

“Opinion of Bond Counsel” means an opinion of Bond Counsel addressed to the Authority, the Remarketing Agent, the Facility Provider and the Trustee to the effect that the action proposed to be taken will not cause interest on the 2003 Series F Bonds to be includable in the gross income of the owners of such 2003 Series F Bonds for purposes of federal income taxation and such action is authorized or permitted by the General Resolution.

“Optional Tender Date” means any Business Day during a Daily Rate Period or Weekly Rate Period.

“Purchase Account” shall mean the Purchase Account established pursuant to the provisions of the Sixty-fifth Supplemental Resolution.

“Purchase and Remarketing Fund” shall mean the Purchase and Remarketing Fund established pursuant to the provisions of the Sixty-fifth Supplemental Resolution.

“Purchase Contract” shall mean the Contract of Purchase to be executed on or about May 6, 2003, between the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“Purchase Price” means (i) when used in relation to Tendered Bonds other than 2003 Series F Bonds tendered upon a conversion to the Fixed Rate Mode or Term Rate Mode, an amount equal to (a) one hundred percent (100%) of the principal amount of any 2003 Series F Bond tendered or deemed tendered to the Tender Agent for purchase pursuant to the provisions of the Sixty-fifth Supplemental Resolution or (b) the amount

payable to the registered owner of a Purchased Bond following receipt by such owner of a purchase notice from the Remarketing Agent, and (ii) when used in relation to Tendered Bonds mandatorily tendered upon conversion from the Fixed Rate Mode or Term Rate Mode, an amount equal to the Redemption Price that would be payable if such 2003 Series F Bonds had been called for redemption on the Conversion Date, plus in each case accrued and unpaid interest thereon to the date of purchase; **provided, however**, that, in each case, if the date of purchase is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Holder of record on the applicable Record Date.

“Purchased Bond” means any 2003 Series F Bond during the period from and including the date it is purchased or paid for by a Facility Provider pursuant to a Credit Facility to, but excluding, the earliest of (a) the date on which the principal, Redemption Price or Purchase Price of such 2003 Series F Bond, together with all interest accrued thereon, is paid with amounts other than amounts drawn under the Credit Facility, (b) the date on which the registered owner of a 2003 Series F Bond has given written notice of its determination not to sell such 2003 Series F Bond following receipt of a purchase notice from the Remarketing Agent with respect to such 2003 Series F Bond, or, if notice of such determination is not given on or before the Business Day next succeeding the day such purchase notice is received, the second Business Day succeeding receipt of such purchase notice or (c) the date on which such 2003 Series F Bond is to be purchased pursuant to an agreement by the registered owner of such 2003 Series F Bond to sell such 2003 Series F Bond following receipt of a purchase notice from the Remarketing Agent with respect to such 2003 Series F Bond, if the Trustee then holds, in trust for the benefit of such registered owner, sufficient moneys to pay the Purchase Price of such 2003 Series F Bond, together with the interest accrued thereon to the date of purchase.

“Purchased Bonds Rate” means the rate at which a Purchased Bond bears interest in accordance with the Credit Facility; **provided, however**, that in no event shall such rate exceed the Maximum Rate applicable thereto.

“Rate” means the Initial Rate, any Daily Rate, Commercial Paper Rate, Weekly Rate, Term Rate, Purchased Bonds Rate or Fixed Rate.

“Rate Mode” means the Daily Rate Mode, Commercial Paper Rate Mode, Weekly Rate Mode, Term Rate Mode or Fixed Rate Mode.

“Rate Period” means the Initial Rate Period, any Daily Rate Period, any Commercial Paper Rate Period, any Weekly Rate Period, any Term Rate Period or any Fixed Rate Period.

“Record Date” means, with respect to each Interest Payment Date, (i) during the Initial Rate Period, any Daily Rate Period, any Commercial Paper Rate Period or any Weekly Rate Period, the close of business on the Business Day preceding such Interest Payment Date and (ii) during any Term Rate Period or any Fixed Rate Period, the close of business on the first day of any calendar month in which there occurs an Interest Payment Date, regardless of whether such day is a Business Day.

“Remarketing Agent” means the person or persons appointed pursuant to a Remarketing Agreement to serve as the Authority’s agent in connection with the remarketing of 2003 Series F Bonds in the Daily Rate Mode, the Weekly Rate Mode or the Commercial Paper Rate Mode and to perform the duties of a Remarketing Agent hereunder, or any successor remarketing agent.

“Remarketing Agreement” means any Remarketing Agreement by and among the Authority and a Remarketing Agent relating to the remarketing of 2003 Series F Bonds in a Daily Rate Mode, Weekly Rate Mode or a Commercial Paper Rate Mode, as the same may be amended or supplemented from time to time in accordance with the provisions thereof, or any agreement relating to the powers, duties and obligations of a successor remarketing agent.

“Remarketing Proceeds Account” shall mean the Remarketing Proceeds Account established pursuant to the provisions of the Sixty-fifth Supplemental Resolution.

“Reset Date” means, with respect to 2003 Series F Bonds in any Daily Rate Mode, any Commercial Paper Rate Mode, any Weekly Rate Mode or any Term Rate Mode, the date on which the interest rate borne by such 2003 Series F Bonds shall be determined in accordance with the provisions of the Sixty-fifth Supplemental Resolution.

“S&P” means Standard & Poor’s Ratings Services, and its successors and assigns.

“Sixty-fifth Supplemental Resolution” shall mean the Sixty-fifth Supplemental Resolution Authorizing the Issuance of \$201,655,000 Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2003 Series F.

“Sub-Series” means the grouping of 2003 Series F Bonds made pursuant to the provisions of the Sixty-fifth Supplemental Resolution or any other grouping established by the Authority.

“TBMA Municipal Index” means the TBMA Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company or its successor; or, if at the time a Weekly Rate is to be determined Municipal Market Data has not provided the relevant information on the TBMA Municipal Index for the most recent Thursday, then the rate determined by Municipal Market Data on the Wednesday next preceding the beginning of the Weekly Rate Period for which such Weekly Rate is to be determined.

“Tender Agent” means the Trustee, who is appointed as Tender Agent pursuant to the Sixty-fifth Supplemental Resolution and having the duties, responsibilities and rights provided herein, and its successor or successors and any successor Trustee which may at any time be substituted in its place pursuant hereto.

“Tender Date” means each Optional Tender Date or Mandatory Tender Date.

“Tendered Bond” means a 2003 Series F Bond or portion thereof of an Authorized Denomination mandatorily tendered or tendered at the option of the Holder thereof for purchase in accordance with the provisions of the Sixty-fifth Supplemental Resolution, including a 2003 Series F Bond or portion thereof deemed tendered, but not surrendered on the applicable Tender Date.

“Tender Notice” means the notice delivered by the Holders of 2003 Series F Bonds subject to Optional Tender pursuant to the provisions of the Sixty-fifth Supplemental Resolution.

“Term Rate” means the rate at which a 2003 Series F Bond bears interest during a Term Rate Period, as established in accordance with the provisions of the Sixty-fifth Supplemental Resolution.

“Term Rate Mode” means a Rate Mode designated as such in a Conversion Notice, in which each 2003 Series F Bond in such Rate Mode bears interest at a Term Rate.

“Term Rate Period” means a period commencing on the Conversion Date or a Reset Date and extending (i) to and including the next succeeding Reset Date which Reset Date must be a Business Day at least three hundred sixty-five (365) days from the Conversion Date or the immediately preceding Reset Date and (ii) to, but not including, the Conversion Date on which 2003 Series F Bonds in the Term Rate Mode are converted to another Rate Mode, except as otherwise provided in Section 3.02(e) of the Sixty-fifth Supplemental Resolution.

“Trustee” shall mean The Bank of New York, New York, New York or any successor thereto.

“2003 Series F Bonds” shall mean the Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2003 Series F of the Authority authorized by the Sixty-fifth Supplemental Resolution to be issued in an amount not to exceed \$201,655,000.

“Underwriter” shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“Weekly Rate” means the rate at which the 2003 Series F Bonds bear interest during a Weekly Rate Period, as established in accordance with the provisions of the Sixty-fifth Supplemental Resolution.

“Weekly Rate Mode” means a Rate Mode in which 2003 Series F Bonds in such Rate Mode bear interest at a Weekly Rate.

“Weekly Rate Period” means a period commencing on a Conversion Date or period from the Thursday of a calendar week to and including the next succeeding Wednesday.

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FORM OF OPINION OF BOND COUNSEL

(Fiscal 2003 Series F Bonds)

May 6, 2003

New York City Municipal
Water Finance Authority
75 Park Place, 6th Floor
New York, New York 10007

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$201,655,000 aggregate principal amount of Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2003 Series F (the “2003 Series F Bonds”) by the New York City Municipal Water Finance Authority (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York (the “State”), created and existing under and pursuant to the Constitution and statutes of the State, including the New York City Municipal Water Finance Authority Act, being Title 2-A of Article 5 of the Public Authorities Law of the State, as amended (which, together with Section 1046 of the Public Authorities Law of the State, is herein referred to as the “Act”).

The 2003 Series F Bonds are issued under and pursuant to the Act and a resolution of the Authority adopted November 14, 1985 entitled “Water and Sewer System General Revenue Bond Resolution,” as amended and supplemented to the date hereof (the “Resolution”), including by a resolution adopted May 2, 2003 entitled “Sixty-fifth Supplemental Resolution Authorizing the Issuance of \$201,655,000 Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2003 Series F” (the “Sixty-fifth Supplemental Resolution”) authorizing the 2003 Series F Bonds. Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the Resolution.

Pursuant to the Act, the New York City Water Board (the “Board”), a public benefit corporation of the State, created and existing under the laws of the State, and The City of New York (the “City”), a municipal corporation of the State, have entered into a lease agreement, dated as of July 1, 1985, as amended (the “Lease”), whereby the Board has leased the New York City Water and Sewer System from the City for a term ending on the date on which all bonds, notes or other obligations of the Authority have been paid in full or provision for such payment shall have been made in accordance with the instruments under which they were issued. Pursuant to the Act, the Authority, the Board and the City have entered into a financing agreement, dated as of July 1, 1985, as amended (the “Financing Agreement”), relating to, among other things, the financing of Water Projects.

The 2003 Series F Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has created under the terms of the Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Resolution, as then in effect, and without limitation as to amount except as provided in the Resolution or as may be limited by law. The 2003 Series F Bonds are being issued for the purposes set forth in the Resolution.

The Authority is authorized to issue Bonds, in addition to the 2003 Series F Bonds, only upon the terms and conditions set forth in the Resolution, and such Bonds, when issued, shall, with the 2003 Series F Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

The 2003 Series F Bonds are dated the date hereof and mature on June 15, 2035 in the principal amount of \$201,655,000.

The Fiscal 2003 F-1 Bonds will be issued in the aggregate principal amount of \$100,000,000 and bear interest at an Initial Rate until May 14, 2003 and thereafter will bear interest at the Weekly Rate until converted to a different Rate and the Fiscal 2003 F-2 Bonds will be issued in the aggregate principal amount of \$101,655,000 and will initially bear interest at the Daily Rate until converted to a different Rate. Interest on the 2003 Series F Bonds may be converted at the option of the Authority to or from a Daily Rate, Commercial Paper Rate, Weekly Rate, Term Rate, or the Fixed Rate in the manner and upon the terms and conditions set forth in the Resolution. Interest on the Fiscal 2003 F Bonds will be payable on the 15th day of each calendar month when the Fiscal 2003 F Bonds bear interest at an Initial Rate, a Daily Rate Period or a Weekly Rate Period and on June 15 and December 15 of each year when the Fiscal 2003 F Bonds are in a Term Rate Period or the Fixed Rate Period. Interest on Fiscal 2003 F Bonds in a Commercial Paper Rate period comprised of 270 days or less shall be paid on the next succeeding Reset Date or Conversion Date and interest on Fiscal 2003 F Bonds in a Commercial Paper Rate Period comprised of more than 270 days shall be paid on the next succeeding Reset Date or Conversion Date and the date which is less than 180 calendar days prior to such Reset Date or Conversion Date. If any such day is not a Business Day, then the Bond Payment Date will be the next succeeding Business Day.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, duly created and existing under the laws of the State with the right and lawful authority and power to enter into the Financing Agreement, to adopt the Resolution and the Sixty-fifth Supplemental Resolution and to issue the 2003 Series F Bonds.

2. The Resolution and the Sixty-fifth Supplemental Resolution have been duly and lawfully adopted by the Authority, are in full force and effect and are the legal, valid and binding agreements of the Authority enforceable in accordance with their terms. The Resolution and the Sixty-fifth Supplemental Resolution create the valid,

binding and perfected pledges they purport to create of the Revenues and any moneys or securities on deposit in the Funds and Accounts created thereby, subject only to the provisions of the Resolution, the Sixty-fifth Supplemental Resolution and the Financing Agreement permitting the application thereof for or to the purposes and on the terms and conditions permitted thereby, including the making of any required payments to the United States with respect to arbitrage earnings.

3. The 2003 Series F Bonds have been duly and validly authorized and issued. The 2003 Series F Bonds are valid and binding special obligations of the Authority payable as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled, together with all other Bonds issued under the Resolution to the benefits of the Resolution and the Act.

4. The 2003 Series F Bonds are payable solely from the Revenues and other amounts pledged to such payment under the Resolution. The 2003 Series F Bonds are not a debt of the State, the City or the Board and neither the State, the City, the Board nor any other political subdivision of the State is liable thereon.

5. The Lease and the Financing Agreement have been duly authorized, executed and delivered by the respective parties thereto and constitute valid and binding obligations of such parties, enforceable in accordance with their terms.

6. The Revenues derived from the operation of the System are the property of the Board. The Financing Agreement validly transfers the right, title and interest of the Board in the Revenues to the Authority to the extent and as provided in the Financing Agreement, subject only to the provisions of the Act, the Financing Agreement and the Resolution permitting the application thereof for or to the purposes, and on the terms and conditions, therein set forth.

7. By virtue of the Act, the Authority has a valid, binding and perfected statutory lien upon the Revenues to be paid by the Board to the Authority pursuant to the Financing Agreement and such lien constitutes a first priority security interest therein.

8. The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to the issuance and delivery of the 2003 Series F Bonds for interest thereon to be and remain excluded from gross income for federal tax purposes. Noncompliance with such requirements could cause the interest on the 2003 Series F Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2003 Series F Bonds. Pursuant to the Sixty-fifth Supplemental Resolution, the Authority has covenanted to maintain the exclusion from gross income of the interest on the 2003 Series F Bonds pursuant to Section 103 of the Code, in furtherance thereof, to comply with the Tax Certificate as to Arbitrage and the Provisions of Section 103 and 141-150 of the Code, with respect to the 2003 Series F Bonds for federal income tax purposes and that it shall provide for any required rebate to the United States.

9. Under existing law and assuming compliance with the aforementioned tax covenants, interest on the 2003 Series F Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest on the 2003 Series F Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations for purposes of computing the alternative minimum tax on such corporations.

10. Interest on the 2003 Series F Bonds is exempt, under existing law, from personal income tax of the State of New York and its political subdivisions, including the City of New York.

Except as stated in the preceding paragraphs, we express no opinion as to any other federal or state tax consequences of the ownership or disposition of the 2003 Series F Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2003 Series F Bonds, or the interest thereon, if any action is taken with respect to the 2003 Series F Bonds or the proceeds thereof upon the advice or approval of other counsel.

We have examined executed 2003 Series F Bonds, and, in our opinion, the form of said bond and its execution are regular and proper. However, we have not verified, and express no opinion as to the accuracy of, any "CUSIP" identification number which may be printed on any of the 2003 Series F Bonds.

The above opinions are qualified to the extent that the enforceability of rights and remedies may be limited by bankruptcy insolvency, or other laws affecting creditors' rights and the unavailability of equitable remedies.

In rendering the opinions set forth in paragraphs 5 and 6 above, we wish to advise you that we have, with your consent, relied upon the opinion of the Corporation Counsel of The City of New York dated the date hereof and addressed to you as to the validity, binding effect and enforceability of the Financing Agreement and the Lease with respect to the Board and the City.

In rendering the priority of lien opinion set forth in paragraph 7 above, we have (i) relied upon a certification by the Board that it has not made or granted a pledge of or security interest in the Revenues to any person other than the Authority and that it has not taken any action which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues, and (ii) assumed, without making any independent investigation, that (1) no lien, charge or encumbrance upon the Revenues has been imposed or exists by operation of law that is prior to the lien in favor of the Authority and (2) no facts or circumstances have occurred or exist which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues that is prior to the lien in favor of the Authority.

Very truly yours,