

REOFFERING MEMORANDUM

On the date of original issuance and delivery of the Fiscal 2008 B-1 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, delivered an opinion to the effect that based upon an analysis of then existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Fiscal 2008 B-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. It was the further opinion of Bond Counsel that interest on the Fiscal 2008 B-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel was also of the opinion that interest on the Fiscal 2008 B-1 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Fiscal 2008 B-1 Bonds. In connection with the reoffering of the Fiscal 2008 B-1 Bonds, Bond Counsel will deliver its opinion that the unconsolidation of the Fiscal 2008 B-1 Bonds into subseries and the substitution of the Credit Facilities relating to the Fiscal 2008 B-1 Bonds will not, in and of themselves, adversely affect the tax-exempt status of the Fiscal 2008 B-1 Bonds. A copy of such opinion is set forth at Appendix E-2. Bond Counsel is not rendering any other opinion on the current tax status of the Fiscal 2008 B-1 Bonds. See "TAX MATTERS" herein.

\$200,000,000
New York City
Municipal Water Finance Authority
Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2008 Subseries B-1
consisting of
\$100,000,000 Fiscal 2008 Subseries B-1A
\$100,000,000 Fiscal 2008 Subseries B-1B

Due: June 15, 2024

The Fiscal 2008 B-1 Bonds will be reoffered as registered bonds and have been registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York which acts as securities depository for the Fiscal 2008 B-1 Bonds. Purchases of beneficial interests in such Fiscal 2008 B-1 Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing the ownership interest in the Fiscal 2008 B-1 Bonds purchased by them. See "APPENDIX G — BOOK-ENTRY-ONLY FORM."

The Fiscal 2008 B-1 Bonds have been issued in the aggregate principal amount and mature on the date as set forth above. The Fiscal 2008 B-1 Bonds currently bear interest at a Weekly Rate. On March 6, 2013, the Fiscal 2008 B-1 Bonds will be subject to mandatory tender and reoffered bearing interest at a Weekly Rate, payable on the 15th day of each month, commencing March 15, 2013. The Fiscal 2008 B-1 Bonds bearing interest at a Daily Rate, a Two-Day Rate or a Weekly Rate may be tendered to the Tender Agent for purchase at the option of the holders thereof under the circumstances described herein.

After the Fiscal 2008 B-1 Bonds are reoffered, liquidity support for the payment of the Purchase Price of tendered but unremarketed (1) Fiscal 2008 Subseries B-1A Bonds will be provided by Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the "B-1A Liquidity Provider") pursuant to a Standby Letter of Credit (the "B-1A Liquidity Facility") issued by the B-1A Liquidity Provider pursuant to a Standby Letter of Credit and Reimbursement Agreement between the Authority and the B-1A Liquidity Provider, and (2) Fiscal 2008 Subseries B-1B Bonds will be provided by Royal Bank of Canada (the "B-1B Liquidity Provider," the B-1A Liquidity Provider and the B-1B Liquidity Provider being herein referred to collectively as the "Liquidity Providers"), acting through its WFC, New York, Branch, pursuant to a Standby Bond Purchase Agreement (the "B-1B Liquidity Facility"), between the Authority and the B-1B Liquidity Provider.

The obligations of the Liquidity Providers are subject to immediate and automatic termination or suspension without notice upon the occurrence of certain events described herein. The Fiscal 2008 B-1 Bonds will not be subject to mandatory tender for purchase upon such suspension or termination. Any failure to pay the Purchase Price of Fiscal 2008 B-1 Bonds tendered for purchase is not an event of default under the Resolution. Upon any such failure the Fiscal 2008 B-1 Bonds will continue to be held by the tendering Bondholder and will bear interest from the Tender Date at the Maximum Rate. See "LIQUIDITY FACILITIES FOR THE FISCAL 2008 B-1 BONDS."

The Fiscal 2008 B-1 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 2008 B-1 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 2008 B-1 Bonds.

The Fiscal 2008 B-1 Bonds are reoffered when, as and if remarketed by the Authority and received by the Remarketing Agent and subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Remarketing Agent by Nixon Peabody LLP, New York, New York. It is anticipated that the Fiscal 2008 B-1 Bonds will be remarketed on or about March 6, 2013.

RBC Capital Markets

February 27, 2013

\$200,000,000

New York City Municipal Water Finance Authority

**Water and Sewer System Revenue Bonds,
Adjustable Rate Fiscal 2008 Subseries B-1
Reoffering Price: 100%**

\$100,000,000 Fiscal 2008 Subseries B-1A Bonds

Maturity Date: June 15, 2024

Rate Mode at Remarketing Date: Weekly

First Interest Payment Date: March 15, 2013

Remarketing Agent: RBC Capital Markets, LLC

Liquidity Provider: Sumitomo Mitsui Banking

Corporation, acting through its New York Branch

Stated Expiration Date: March 4, 2016

CUSIP⁽¹⁾: 64972GBH6

\$100,000,000 Fiscal 2008 Subseries B-1B Bonds

Maturity Date: June 15, 2024

Rate Mode at Remarketing Date: Weekly

First Interest Payment Date: March 15, 2013

Remarketing Agent: RBC Capital Markets, LLC

Liquidity Provider: Royal Bank of Canada, acting

through its WFC, New York, Branch

Stated Expiration Date: March 4, 2016

CUSIP⁽¹⁾: 64972GBF0

⁽¹⁾ Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of reoffering of the Fiscal 2008 B-1 Bonds and the Authority and the Remarketing Agent do not make any representation with respect to such numbers nor undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the reoffering of the Fiscal 2008 B-1 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Fiscal 2008 B-1 Bonds.

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Authority Consultants

Bond Counsel	<i>Orrick, Herrington & Sutcliffe LLP</i>
Consulting Engineer	<i>AECOM USA, Inc.</i>
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Rate Consultant	<i>Amawalk Consulting Group LLC</i>

This Reoffering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any of the Fiscal 2008 B-1 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of any of the Fiscal 2008 B-1 Bonds and if given or made, such information or representation must not be relied upon. Information contained on the Authority's web page, on the City's web site, or on any other web page is not a part of this Reoffering Memorandum. Neither the delivery of this Reoffering Memorandum nor the sale of any of the Fiscal 2008 B-1 Bonds implies that there has been no change in the affairs of the Authority, the Board or the City or the other matters described herein since the date hereof.

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

The Remarketing Agent has reviewed the information in this Reoffering Memorandum pursuant to its responsibilities to investors under the federal securities laws, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

Deloitte & Touche LLP, the Authority's independent auditor has not reviewed, commented on or approved, and is not associated with, this Reoffering Memorandum. The report of Deloitte & Touche LLP relating to the Authority's financial statements for the fiscal years ended June 30, 2012 and 2011, which is a matter of public record, is included in this Reoffering Memorandum by specific reference. However, Deloitte & Touche LLP has not performed any procedures on any financial statements or other financial information of the Authority, including without limitation any of the information contained in this Reoffering Memorandum, since the date of such report and has not been asked to consent to the inclusion of its report in this Reoffering Memorandum.

IN CONNECTION WITH THIS REOFFERING, THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE FISCAL 2008 B-1 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTORY STATEMENT	1	SECURITY FOR THE BONDS	17
General	1	Revenues	17
INCLUSION BY SPECIFIC		Debt Service Reserve Fund	19
REFERENCE	2	Rate Covenant	20
PLAN OF FINANCE	3	Additional Bonds	20
THE FISCAL 2008 B-1 BONDS	3	Authority Debt	21
General	3	Refundable Principal Installments	22
Record Dates and Interest Payment		Derivatives	23
Dates	3	Covenant of the State	23
Conversion to an Alternate Rate		APPROVAL OF LEGAL	
Period	4	PROCEEDINGS	23
Interest Rates and Reset Dates	4	RATINGS	23
Certain Considerations Affecting		REMARKETING	24
Adjustable Rate Bonds	5	TAX MATTERS	24
Optional Tender for Purchase	6	APPENDICES	
Mandatory Tender for Purchase	7	Appendix C – GLOSSARY AND	
Fiscal 2008 B-1 Bonds Deemed		SUMMARY OF CERTAIN	
Purchased	7	DOCUMENTS	C-1
Purchase Price and Payment	8	Glossary	C-1
Remarketing of Fiscal 2008 B-1 Bonds		Summary of Certain Documents	C-9
Upon Tender	8	Summary of the Agreement	C-9
Redemption	9	Summary of the Lease	C-15
Selection of Bonds to be Redeemed	9	Summary of the First Resolution	C-18
Notice of Redemption	9	Appendix E – OPINIONS OF	
LIQUIDITY FACILITIES FOR THE		COUNSEL	E-1
FISCAL 2008 B-1 BONDS	9	Appendix G – BOOK-ENTRY-ONLY	
Liquidity Facilities	9	FORM	G-1
Substitution of a Credit Facility	17	Appendix I – DESCRIPTION OF THE	
		FACILITY PROVIDERS	I-1

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REOFFERING MEMORANDUM

\$200,000,000

NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY WATER AND SEWER SYSTEM REVENUE BONDS, ADJUSTABLE RATE FISCAL 2008 SUBSERIES B-1

INTRODUCTORY STATEMENT

General

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 \$200,000,000 Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2008 Subseries B-1 (the “Fiscal 2008 B-1 Bonds”), consisting of \$100,000,000 Fiscal 2008 Subseries B-1A (the “Fiscal 2008 B-1A Bonds”) and \$100,000,000 Fiscal 2008 Subseries B-1B (the “Fiscal 2008 B-1B Bonds”). Capitalized terms used in this Official Statement and not defined herein shall have the meanings ascribed thereto in “APPENDIX C—GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS—Glossary.”

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 under the Authority’s Water and Sewer System General Revenue Bond Resolution adopted on November 14, 1985, as amended (the “Resolution” or the “First Resolution” and, bonds issued thereunder the “Bonds”), or subordinate obligations of the Authority under its Water and Sewer Second General Revenue Bond Resolution adopted on March 30, 1994, as amended (the “Second Resolution”). Pursuant to the Lease and the Agreement, the Board has agreed to levy and collect rates, fees and charges. Pursuant to the Lease, the City may, with the prior written consent of the Board, grant interests in the Leased Property which, in the reasonable judgment of the Board, do not interfere with the operation and maintenance of the System and the collection of the Revenues from the System.

The Fiscal 2008 B-1 Bonds were issued by the Authority pursuant to the First Resolution and its Seventy-Ninth Supplemental Resolution adopted on March 7, 2008, as amended and supplemented by the Amended and Restated Seventy-Ninth Supplemental Resolution adopted on February 15, 2013 (the “Seventy-Ninth Supplemental Resolution”). The Resolution and the Seventy-Ninth Supplemental Resolution are collectively referred to herein as the “Resolutions”. The Bank of New York Mellon serves as trustee under the Resolutions (in such capacity, the “Trustee”) and will continue to serve as Trustee unless a successor is appointed in accordance with the Resolutions.

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 all 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. The Board is obligated to take necessary action to cure or avoid any deficiency. See “SECURITY FOR THE BONDS—Rate Covenant.” 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.”

Rates, fees and charges are imposed by the Board and are not subject to regulatory approval under current law except for the rates charged to a limited class of upstate users, representing approximately 1.7% of Revenues. See “RATES AND BILLINGS.”

The Authority has relied upon AECOM USA, Inc. (“AECOM”), its Consulting Engineer, for certain engineering feasibility information and upon Amawalk Consulting Group LLC (“Amawalk Consulting”), its Rate Consultant, for certain financial estimates and projections. See “ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS.”

INCLUSION BY SPECIFIC REFERENCE

On March 1, 2013, the Authority expects to deliver its \$455,955,000 Second Resolution Bonds, Fiscal 2013 Series CC, as described in its official statement dated February 20, 2013 (the “Series 2013 CC Official Statement”). The information set forth in the Series 2013 CC Official Statement under the captions identified below is, subject to the information contained elsewhere herein, included herein by specific reference. A copy of the Series 2013 CC Official Statement is delivered herewith.

INTRODUCTORY STATEMENT — Financial Projection Assumptions
THE AUTHORITY
THE BOARD
THE DEPARTMENT OF ENVIRONMENTAL PROTECTION
CAPITAL IMPROVEMENT AND FINANCING PROGRAM
FINANCIAL OPERATIONS
RATES AND BILLINGS
THE SYSTEM
ECONOMIC AND DEMOGRAPHIC INFORMATION
LITIGATION
FINANCIAL ADVISORS
FURTHER INFORMATION
INVESTMENTS
LEGALITY FOR INVESTMENT AND DEPOSIT
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS
ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS
CERTAIN LEGAL OPINIONS
APPENDIX A — LETTER OF AECOM USA INC. AND FORECASTED CASH FLOWS
APPENDIX B — LETTER OF AMAWALK CONSULTING GROUP LLC, RATE
CONSULTANTS
APPENDIX D — FINANCIAL STATEMENTS
APPENDIX F — ADJUSTABLE RATE DEMAND BONDS
APPENDIX H — SYSTEM MAPS

Any reference to the “Fiscal 2013 CC Bonds” in the information incorporated herein by specific reference shall be read to be a reference to the Fiscal 2008 B-1 Bonds unless the context thereof clearly indicates that such information is only applicable to the Fiscal 2013 CC Bonds.

Descriptions of the Authority, the Board, the System and the Capital Improvement Program, together with other information, including summaries of the terms of the Agreement and the Lease are set forth in the Series 2013 CC Official Statement. All references herein to the Resolution, the Agreement and the Lease are qualified by reference to the definitive bond forms, and the terms and provisions thereof contained in the Resolution.

PLAN OF FINANCE

The Fiscal 2008 B-1 Bonds were originally issued and delivered on March 19, 2008. The Fiscal 2008 B-1 Bonds, when issued, bore interest at a Weekly Rate. In connection with this reoffering, the Seventy-Ninth Supplemental Resolution as originally adopted will be amended and restated, the Fiscal 2008 B-1 Bonds will be converted into two subseries and a standby letter of credit will be issued by Sumitomo Mitsui Banking Corporation, acting through its New York Branch (“Sumitomo”), to provide liquidity support with respect to the Fiscal 2008 B-1A Bonds pursuant to a Standby Letter of Credit and Reimbursement Agreement between Sumitomo and the Authority, and the Authority and Royal Bank of Canada, acting through its WFC, New York, Branch, will enter into a Standby Bond Purchase Agreement to provide liquidity support with respect to the Fiscal 2008 B-1B Bonds, as described below under “LIQUIDITY FACILITIES FOR THE FISCAL 2008 B-1 BONDS” in substitution for the prior standby bond purchase agreement originally delivered in connection with the issuance of the Fiscal 2008 B-1 Bonds.

THE FISCAL 2008 B-1 BONDS

General

This Reoffering Memorandum describes the Fiscal 2008 B-1 Bonds only while they are in a Daily Rate Mode, a Two-Day Rate Mode or a Weekly Rate Mode. Sumitomo and Royal Bank of Canada are only supporting the Weekly Rate.

The Fiscal 2008 B-1 Bonds will be remarketed in the aggregate principal amounts, and maturing on the date, as set forth on the cover hereof. Interest is payable on the Fiscal 2008 B-1 Bonds bearing interest at a Daily Rate, a Two-Day Rate or a Weekly Rate on the 15th day of each month, commencing March 15, 2013. The Fiscal 2008 B-1 Bonds are subject to redemption prior to maturity as described under “Redemption” and to optional and mandatory tender for purchase as described under “Optional Tender for Purchase” and “Mandatory Tender for Purchase.” The Fiscal 2008 B-1 Bonds will continue in a Weekly Rate Period from the date of the reoffering 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 2008 B-1 Bonds will be payable in lawful moneys of the United States of America. The Fiscal 2008 B-1 Bonds will be issued only as fully registered bonds without coupons in minimum denominations of \$100,000 and integral multiples of \$5,000 in excess thereof when the Rate Period is the Daily Rate Period, the Two-Day Rate Period or the Weekly Rate Period. During the Daily Rate Period, the Two-Day Rate Period or the 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.

The Bank of New York Mellon has been appointed as Tender Agent for the Fiscal 2008 B-1 Bonds. RBC Capital Markets, LLC has been appointed as the Remarketing Agent for the Fiscal 2008 B-1 Bonds (the “Remarketing Agent”).

Record Dates and Interest Payment Dates

Record Dates. Interest on the Fiscal 2008 B-1 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 the immediately preceding Business Day prior to a Bond Payment Date for Fiscal 2008 B-1 Bonds in a Daily Rate Period, Two-Day Rate Period or Weekly Rate Period.

Bond Payment Dates. Interest on the Fiscal 2008 B-1 Bonds will be payable on the 15th day of each calendar month when such Fiscal 2008 B-1 Bonds bear interest at a Daily Rate, a Two-Day Rate or a Weekly Rate. Interest payable on each Bond Payment Date for Fiscal 2008 B-1 Bonds bearing interest in the Daily Rate Mode, the Two-Day Rate Mode or the Weekly Rate Mode will be the interest accruing and unpaid through and including the day preceding such Bond Payment Date. Each Mandatory Tender Date (defined below) will be a Bond Payment Date.

Conversion to an Alternate Rate Period

At the election of the Authority, a Subseries of the Fiscal 2008 B-1 Bonds may be converted to a different Rate Period by delivering a notice (the “Conversion Notice”) to the Remarketing Agent, the provider of any Credit Facility (as defined in Appendix C, which term includes the B-1A Liquidity Facility and the B-1B Liquidity Facility) relating to such Subseries (the “Liquidity Provider”), DTC and the Tender Agent specifying, among other things, the new Rate Mode or Modes to which such Fiscal 2008 B-1 Bonds are then subject and the conversion date (which shall be a Reset Date or a Bond Payment Date) (a “Conversion Date”). The Authority must deliver such Conversion Notice at least fifteen (15) days prior to the Conversion Date (or if the Fiscal 2008 B-1 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 2008 B-1 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 — Notices of Mandatory Tender.”

No Fiscal 2008 B-1 Bonds may be converted from a Rate Mode to a new Rate Mode 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 the election to convert is withdrawn by the Authority, or if the Remarketing Agent notifies the Tender Agent that it is unable to remarket the Fiscal 2008 B-1 Bonds on the Conversion Date, the Subseries of the Fiscal 2008 B-1 Bonds will bear interest in the existing Rate Mode or, at the option of the Authority and in compliance with the provisions of the Resolutions regarding conversion of Rate Modes, any other Rate Period, which Rate Period will be in effect from and after the date on which the Rate Period was to be converted. However, if an Opinion of Bond Counsel is not delivered on or prior to the Conversion Date, the Rate Mode for the Subseries of the Fiscal 2008 B-1 Bonds not converted will be the existing Rate Mode.

Interest Rates and Reset Dates

General. The rate at which the Fiscal 2008 B-1 Bonds will bear interest during any Rate Period will be the rate of interest that, if borne by such Fiscal 2008 B-1 Bonds for such Rate Period, 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 Fiscal 2008 B-1 Bonds and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of the Fiscal 2008 B-1 Bonds, would be the lowest interest rate that would enable such Fiscal 2008 B-1 Bonds to be sold at a price equal to the principal amount thereof, plus accrued interest thereon, if any.

“Maximum Rate” means, in the case of the Fiscal 2008 B-1 Bonds which are not Purchased Bonds, 9% per annum.

Daily Rate Period. The Daily Rate for each Subseries for any Business Day is to be determined by the Remarketing Agent and announced by 10:00 a.m., New York City time, on such Business Day. For any day which is not a Business Day, the Daily Rate will be the Daily Rate for the immediately preceding Business Day.

If for any reason (i) the Daily Rate for a Daily Period is not established, (ii) there is no Remarketing Agent for the Fiscal 2008 B-1 Bonds, (iii) the Rate is held to be invalid or unenforceable or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Daily Rate,

then the Daily Rate in effect during the preceding Daily Rate Period will continue in effect on such Fiscal 2008 B-1 Bonds until a new Daily Rate is determined, but in no event for more than two weeks, and thereafter such Fiscal 2008 B-1 Bonds will bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

Two-Day Rate Period. The Two-Day Rate for each Subseries for any Business Day is to be determined by the Remarketing Agent and announced by 10:00 a.m., New York City time, on the first day of a period during which such Fiscal 2008 B-1 Bonds bear interest at a Two-Day Rate and on each Monday, Wednesday and Friday thereafter so long as interest on such Fiscal 2008 B-1 Bonds is to be payable at a Two-Day Rate or, if any Monday, Wednesday or Friday is not a Business Day, on the next Monday, Wednesday or Friday that is a Business Day. The Two-Day Rate set on any Business Day will be effective as of such Business Day and will remain in effect until the next day on which a Two-Day Rate is to be set in accordance with the preceding sentence.

If for any reason (i) the Two-Day Rate for a Rate Period is not established, (ii) there is no Remarketing Agent for the Fiscal 2008 B-1 Bonds, (iii) the Rate is held to be invalid or unenforceable or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Two-Day Rate, then the Two-Day Rate in effect during the preceding Two-Day Rate Period will continue in effect on such Fiscal 2008 B-1 Bonds until a new Two-Day Rate is determined, but in no event for more than two weeks, and thereafter such Fiscal 2008 B-1 Bonds will bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

Weekly Rate Period. Except as described below, the Weekly Rate for each Subseries is to be determined by the Remarketing Agent on Wednesday of each week. 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 such Weekly Rate Period will be determined by the Remarketing Agent and announced by 4:00 p.m., New York City time, on the Business Day before the Conversion Date.

If for any reason (i) a Weekly Rate has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is then serving under the Resolutions, (iii) the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable with respect to a Weekly Rate Period or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Weekly Rate, then, the Weekly Rate for such Weekly Rate Period will be equal to the prior Weekly Rate until a new Weekly Rate is determined, but in no event for more than two weeks, and, afterwards, the Weekly Rate will be equal to the Maximum Rate until the Remarketing Agent determines a Weekly Rate.

Certain Considerations Affecting Adjustable Rate Bonds

The information in this caption "*Certain Considerations Affecting Adjustable Rate Bonds*" was provided by the Remarketing Agent and is not the responsibility of the Authority.

The Remarketing Agent is Paid by the Authority. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the respective Subseries of the Fiscal 2008 B-1 Bonds that are optionally or mandatorily tendered by the Beneficial Owners thereof (subject, in each case, to the terms of the Remarketing Agreement). The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of Beneficial Owners and potential purchasers of Fiscal 2008 B-1 Bonds.

The Remarketing Agent May Purchase Fiscal 2008 B-1 Bonds for Its Own Account. The Remarketing Agent acts as Remarketing Agent for a variety of adjustable rate demand obligations issued by many issuers and, in its sole discretion, may purchase such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Fiscal 2008 B-1 Bonds for its own account and, in its sole discretion, may acquire such tendered Fiscal 2008 B-1 Bonds in order to achieve a successful remarketing of the Fiscal 2008 B-1 Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Fiscal 2008 B-1 Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Fiscal 2008 B-1

Bonds, and may cease doing so at any time without notice. If the Remarketing Agent ceases to purchase Fiscal 2008 B-1 Bonds, it may be necessary for the Trustee to draw on the applicable Liquidity Facility (defined below) to pay tendering Bondholders.

The Remarketing Agent may also sell any Fiscal 2008 B-1 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Fiscal 2008 B-1 Bonds. The purchase of Fiscal 2008 B-1 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Fiscal 2008 B-1 Bonds in the market than is actually the case. The practices described above also may result in fewer Fiscal 2008 B-1 Bonds being tendered.

Fiscal 2008 B-1 Bonds may be Offered at Prices Other Than Par. Pursuant to the Remarketing Agreement, on each rate determination date, the Remarketing Agent is required to determine the interest rate that will be effective with respect to the applicable Fiscal 2008 B-1 Bonds on the effective date. That rate is required by the Resolutions to be the lowest rate necessary in the judgment of the Remarketing Agent to remarket the applicable Fiscal 2008 B-1 Bonds at par, plus accrued interest, if any, on the effective date. At the time the new rate becomes effective, the Remarketing Agent is required to use its best efforts to remarket the applicable Fiscal 2008 B-1 Bonds at par. The interest rate will reflect, among other factors, the level of market demand for the applicable Fiscal 2008 B-1 Bonds (including whether the Remarketing Agent is willing to purchase applicable Fiscal 2008 B-1 Bonds for its own account). There may or may not be Fiscal 2008 B-1 Bonds tendered and remarketed on an effective date, and the Remarketing Agent may or may not be able to remarket any Fiscal 2008 B-1 Bonds tendered to it for purchase on such date at par. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Fiscal 2008 B-1 Bonds at the remarketing price.

The Ability to Sell the Fiscal 2008 B-1 Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may make a secondary market in the Fiscal 2008 B-1 Bonds by routinely purchasing and selling Fiscal 2008 B-1 Bonds other than in connection with an optional or mandatory tender and remarketing. However, the Remarketing Agent is not required to make a secondary market in the Fiscal 2008 B-1 Bonds. Thus, investors who purchase Fiscal 2008 B-1 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Fiscal 2008 B-1 Bonds other than by tendering the Fiscal 2008 B-1 Bonds in accordance with the tender process. The applicable Liquidity Facility is not available to purchase related Fiscal 2008 B-1 Bonds other than those tendered in accordance with the sale of Fiscal 2008 B-1 Bonds by the Bondholder to the applicable Remarketing Agent. A Liquidity Facility will only be drawn when the related Fiscal 2008 B-1 Bonds have been properly tendered in accordance with the terms of the transaction.

Under Certain Circumstances, the Remarketing Agent May Cease Remarketing the Fiscal 2008 B-1 Bonds. Under certain circumstances the Remarketing Agent may cease its remarketing efforts, subject to the terms of the Remarketing Agreement. The Remarketing Agreement provides that, unless the Authority has failed to pay remarketing fees, the Remarketing Agent may not resign until a successor has been appointed.

Optional Tender for Purchase

A Fiscal 2008 B-1 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, a Two-Day 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 2008 B-1 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 2008 B-1 Bonds and will not be given by DTC.

Notice of the election to tender for purchase a Fiscal 2008 B-1 Bond registered in any other name is to be given by the registered owner of such Fiscal 2008 B-1 Bond or its attorney-in-fact.

The notice must state the name of the registered owner or the Beneficial Owner and the principal amount of the Fiscal 2008 B-1 Bond, the principal amount of the Fiscal 2008 B-1 Bond to be tendered for purchase and the Business Day on which the Fiscal 2008 B-1 Bond or portion thereof to be tendered for purchase is to be purchased.

A DTC Participant or the registered owner of a Fiscal 2008 B-1 Bond must give written notice of its irrevocable election to tender such Fiscal 2008 B-1 Bond or a portion thereof for purchase at its option to the Tender Agent, at its Delivery Office, and to the Remarketing Agent, (i) in the case of Fiscal 2008 B-1 Bonds bearing interest in a Daily Rate Mode, no later than 11:00 a.m. on any Business Day, (ii) in the case of Fiscal 2008 B-1 Bonds bearing interest in the Two-Day Rate Mode, no later than 3:00 p.m. on a Business Day at least two (2) Business Days prior to the Business Day on which such Fiscal 2008 B-1 Bond or portion thereof is to be purchased, and (iii) in the case of Fiscal 2008 B-1 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 2008 B-1 Bond or portion thereof is to be purchased.

Mandatory Tender for Purchase

The Fiscal 2008 B-1 Bonds of each Subseries 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 2008 B-1 Bonds being converted to a different Rate Mode other than a conversion between the Daily Rate Mode, the Two-Day Rate Mode and the Weekly Rate Mode;

(b) on the last Business Day of the Daily Rate Period, Two-Day Rate Period or Weekly Rate Period, 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 fifteen (15) days prior to such expiration or termination date such Credit Facility has not been extended or a substitute Credit Facility has not been obtained;

(c) on the substitution date of a Credit Facility for an existing Credit Facility if, solely as a result of such substitution, any Rating Agency would reduce or withdraw any rating assigned to such Fiscal 2008 B-1 Bonds;

(d) on the Business Day immediately preceding the date of termination specified in the Notice of Default delivered by a Liquidity Provider in accordance with the provisions of the Credit Facility; and

(e) on any Business Day the Authority determines it is in the best interests of the Holders to cause a mandatory tender of Fiscal 2008 B-1 Bonds.

Notices of Mandatory Tenders. Whenever Fiscal 2008 B-1 Bonds are to be tendered for purchase in accordance with the Resolutions, the Tender Agent will, not less than 15 days prior to the effective date of the expiration or substitution or ten days prior to the effective date of the earlier termination of a Credit Facility then in effect, give notice by first-class mail to the holders of the Fiscal 2008 B-1 Bonds that the Fiscal 2008 B-1 Bonds are subject to mandatory tender for purchase on the date specified in such notice, which will be the Business Day preceding the last Business Day of the applicable Rate Mode next preceding the effective date of such expiration or earlier termination.

Fiscal 2008 B-1 Bonds Deemed Purchased

The Fiscal 2008 B-1 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 Resolutions, irrespective of whether such Fiscal 2008 B-1 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 2008 B-1 Bond deemed to have been tendered and purchased will have no claim thereunder or under the Resolutions or otherwise for payment of any amount other than the Purchase Price, and such Fiscal 2008 B-1 Bond or portion thereof will no longer be Outstanding for purposes of the

Resolutions. However, the Authority has no obligation to furnish moneys for payment of the Purchase Price of Fiscal 2008 B-1 Bonds that have been tendered but not remarketed and for which moneys have not been provided for their purchase by a Liquidity Provider pursuant to a Credit Facility. Such Fiscal 2008 B-1 Bonds will continue to be held by the tendering Bondholders and will bear interest from the Tender Date at the Maximum Rate.

Purchase Price and Payment

The Purchase Price of a Fiscal 2008 B-1 Bond will be the principal amount of the Fiscal 2008 B-1 Bond to be tendered, plus accrued and unpaid interest from the immediately preceding Bond Payment Date.

The Purchase Price of a Fiscal 2008 B-1 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 in "APPENDIX G — BOOK-ENTRY-ONLY FORM." Payment will be made without presentation and surrender of the Fiscal 2008 B-1 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 2008 B-1 Bonds will be paid, in same-day funds, only after presentation and surrender of the Fiscal 2008 B-1 Bond to the Tender Agent at its Delivery Office. Payment will be made by 3:00 p.m., New York City time, on the later of the Tender Date or the Business Day on which a Fiscal 2008 B-1 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 2008 B-1 Bonds tendered for purchase, (ii) moneys made available by the Liquidity Provider under the Credit Facility, (iii) other moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least 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") has been filed or any bankruptcy or similar proceeding has been commenced, unless such petition or proceeding has been dismissed and such dismissal is final and not subject to appeal, and (iv) any other moneys the application of which to the payment of the Purchase Price of the Fiscal 2008 B-1 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 (collectively, "Available Moneys"). The Authority has no obligation to furnish moneys under (iii) or (iv) of the preceding sentence.

Remarketing of Fiscal 2008 B-1 Bonds Upon Tender

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to use its best efforts to remarket Fiscal 2008 B-1 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 2008 B-1 Bonds. If any of the conditions is not satisfied, or if the Remarketing Agent is otherwise unable to remarket any Fiscal 2008 B-1 Bonds, the Purchase Price of such Fiscal 2008 B-1 Bonds will be paid from amounts obtained from the Liquidity Provider under the Credit Facility, as described below, or may be paid from any other Available Moneys furnished by or on behalf of the Authority.

On each Tender Date, the Remarketing Agent is to give notice to the Tender Agent specifying the principal amount of Fiscal 2008 B-1 Bonds which have been tendered for purchase and remarketed. The Tender Agent is, on such Tender Date, to obtain funds under the Credit Facility in accordance with its terms in an amount equal to the difference between the Purchase Price of the Fiscal 2008 B-1 Bonds subject to purchase and the remarketing proceeds available to the Tender Agent.

The Authority has no obligation to furnish moneys for payment of the Purchase Price and failure to pay the Purchase Price is not an Event of Default under the Resolutions. Upon any such failure the Fiscal 2008 B-1 Bonds will continue to be held by the tendering holders and will bear interest from the Tender Date at the Maximum Rate.

Redemption

Optional Redemption. The Fiscal 2008 B-1 Bonds, while they bear interest at a Daily Rate, Two-Day Rate or Weekly Rate, are subject to redemption prior to maturity at the election or direction of the Authority, on any Business Day, in whole or in part, at the redemption price of 100% of the principal amount of the Fiscal 2008 B-1 Bonds to be redeemed, plus accrued interest, if any, to the redemption date.

Selection of Bonds to be Redeemed

In the event less than all of the Outstanding Fiscal 2008 B-1 Bonds of like maturity are to be redeemed prior to maturity, the Trustee is to select for redemption, using such method of selection as it deems proper in its discretion, the Purchased Bonds (hereinafter defined) of such maturity, before selecting any other Fiscal 2008 B-1 Bonds of such maturity for redemption. Fiscal 2008 B-1 Bonds of such maturity which are not Purchased Bonds will be selected by the Trustee in accordance with instructions from the Authority in such manner as the Trustee deems fair and appropriate.

Notice of Redemption

Notice of redemption is to be given by first class mail, postage prepaid, at least 20 days prior to the date fixed for redemption, to the registered owners of Fiscal 2008 B-1 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 2008 B-1 Bonds, notice of redemption is to be sent to DTC at least 20 days prior to the date fixed for redemption or such shorter period as may be provided by DTC. No assurance can be given by the Authority that DTC and DTC participants will promptly transmit notices of redemption to Beneficial Owners.

If, on any redemption date, moneys for the redemption of the Fiscal 2008 B-1 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 2008 B-1 Bonds to be redeemed will cease to accrue from and after the redemption date and such Fiscal 2008 B-1 Bonds will no longer be considered to be Outstanding under the Second Resolution.

The notice of redemption may provide that the Fiscal 2008 B-1 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.

LIQUIDITY FACILITIES FOR THE FISCAL 2008 B-1 BONDS

Liquidity Facilities

General. The Authority will, on the date the Fiscal 2008 B-1 Bonds are reoffered, enter into (1) a Standby Letter of Credit and Reimbursement Agreement with respect to the Fiscal 2008 B-1A Bonds (the “Reimbursement Agreement”) with Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “B-1A Liquidity Provider”), pursuant to which the B-1A Liquidity Provider will issue its Standby Letter of Credit (the “B-1A Liquidity Facility”) to provide liquidity support with respect to the Fiscal 2008 B-1A Bonds, and (2) a Standby Bond Purchase Agreement with respect to the Fiscal 2008 B-1B Bonds (the “B-1B Liquidity Facility”) with Royal Bank of Canada (the “B-1B Liquidity Provider”), acting through its WFC, New York, Branch, to provide liquidity support with respect to the Fiscal 2008 B-1B Bonds. The B-1A Liquidity Provider and the B-1B Liquidity Provider are collectively referred to herein as the “Liquidity Providers.” The B-1A Liquidity Facility and the B-1B Liquidity Facility are collectively referred to herein as the “Liquidity Facilities.”

B-1A Liquidity Facility. The B-1A Liquidity Provider will issue, on March 6, 2013, its Standby Letter of Credit with respect to the Series 2008 B-1A Bonds, pursuant to the Reimbursement Agreement. The following summarizes certain provisions of the B-1A Liquidity Facility and the Reimbursement Agreement, to which reference to the documents is made for the complete provisions thereof. Investors

should obtain and review a copy of the Reimbursement Agreement and the B-1A Liquidity Facility in order to understand all of the terms and provisions of those documents. The provisions of any substitute liquidity facility may be different from those summarized below.

The B-1A Liquidity Facility will be issued in an amount equal to the aggregate outstanding principal amount of the Fiscal 2008 B-1A Bonds, plus 35 days' interest thereon at the Maximum Rate. The Tender Agent, upon compliance with the terms of the B-1A Liquidity Facility, and subject to the terms and conditions set forth therein, is authorized to draw up to (a) an amount sufficient to pay the portion of the purchase price of the Fiscal 2008 B-1A Bonds tendered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed (a "Liquidity Drawing") equal to the principal amount of the Fiscal 2008 B-1A Bonds, plus (b) an amount not to exceed 35 days' of accrued interest on the Fiscal 2008 B-1A Bonds at the Maximum Rate to pay the portion of the purchase price of the Fiscal 2008 B-1A Bonds tendered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed, equal to the interest accrued, if any, on such Fiscal 2008 B-1A Bonds. **The B-1A Liquidity Facility is in the form of a letter of credit, but, nonetheless, is a conditional obligation of the B-1A Liquidity Provider. The obligations of the B-1A Liquidity Provider are subject to immediate termination or suspension without notice and no Liquidity Drawing will be honored by the B-1A Liquidity Provider upon the occurrence of a Termination Event (as hereinafter defined) or upon the occurrence and during the continuance of an event which causes the suspension of the B-1A Liquidity Provider's obligation to honor Liquidity Drawings under the B-1A Liquidity Facility as described in the second and third paragraphs under the subheading "Remedies" below (each a "Suspension Event").**

The amount available under the B-1A Liquidity Facility will be reduced automatically by the amount of any drawing thereunder, subject to reinstatement as described below. With respect to a Liquidity Drawing, the B-1A Liquidity Facility will automatically be reduced by an amount equal to the amount of said drawing. Prior to the Conversion Date (as defined below) upon a remarketing of the Fiscal 2008 B-1A Bonds (or portions thereof) previously purchased with the proceeds of such Liquidity Drawing, the B-1A Liquidity Provider's obligation to honor drawings under the B-1A Liquidity Facility will be automatically reinstated in an amount set forth in a reinstatement certificate concurrently upon receipt by the B-1A Liquidity Provider of such reinstatement certificate and the amount set forth therein.

The B-1A Liquidity Facility will terminate on the earliest of the B-1A Liquidity Provider's close of business on (a) the stated expiration date (March 4, 2016); (b) the Business Day following the date on which all of the Fiscal 2008 B-1A Bonds are converted to an interest rate other than the Weekly Rate (the "Conversion Date"); (c) the date of the B-1A Liquidity Provider's receipt of a certificate from the Tender Agent specifying that no Fiscal 2008 B-1A Bonds subject to tender remain Outstanding within the meaning of the Resolution and the Seventy-Ninth Supplemental Resolution, all drawings required to be made under the Seventy-Ninth Supplemental Resolution and available under the B-1A Liquidity Facility have been made and honored, or that a substitute liquidity facility has been issued to replace the B-1A Liquidity Facility pursuant to the Seventy-Ninth Supplemental Resolution and the Reimbursement Agreement; (d) the date on which a Termination Event (as hereinafter defined) shall occur under the Reimbursement Agreement; or (e) the date which is fifteen (15) days (or the next succeeding Business Day if such day is not a Business Day) following the date the Tender Agent receives a written notice from the B-1A Liquidity Provider specifying the occurrence of an "Event of Default" under the Reimbursement Agreement that is not a Termination Event or a Suspension Event and directing the Tender Agent to cause a mandatory purchase of the Fiscal 2008 B-1A Bonds pursuant to the terms of the Seventy-Ninth Supplemental Resolution.

Termination Events. Pursuant to the Reimbursement Agreement, the occurrence of any of the following events, among others, shall constitute a termination event (each a “Termination Event”) thereunder. Reference is made to the Reimbursement Agreement for a complete listing of all Events of Default under the Reimbursement Agreement.

(a) (i) the Authority shall fail to (x) pay when due any principal of or premium, if any, or interest on the Fiscal 2008 B-1A Bonds (regardless of any waiver thereof by the holders of the Fiscal 2008 B-1A Bonds) or any Purchased Bonds (as defined in the Reimbursement Agreement) or (y) repay when due any principal of or premium, if any, or interest on the related Liquidity Advance (as defined in the Reimbursement Agreement), or (ii) any default by the Authority shall occur and be continuing in the payment of principal of or premium, if any, or interest on any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by or payable from the Revenues on a basis that is senior to or on a parity with the Fiscal 2008 B-1A Bonds, Purchased Bonds and Liquidity Advances, or (iii) pursuant to the provisions of any resolution, indenture, contract or other instrument, the maturity of any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by or payable from the Revenues on a basis that is senior to or on a parity with the Fiscal 2008 B-1A Bonds, Purchased Bonds and the related Liquidity Advance, as the result of the occurrence of any default with respect to the payment of any principal or interest thereunder, shall be accelerated or required to be paid prior to the stated maturity thereof;

(b) each of Moody’s, S&P and Fitch shall (i) assign a rating to any Senior Lien Debt (as defined in the Reimbursement Agreement) below “Baa3” in the case of Moody’s and below “BBB-” in the case of S&P and Fitch or (ii) withdraw or suspend any such rating for a credit-related reason; or

(c) (i) (A) the Authority shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary 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 on a basis that is senior to or on a parity with the Fiscal 2008 B-1A Bonds, Purchased Bonds and Liquidity Advances or (B) the State or any other governmental authority having appropriate jurisdiction over the Authority shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or a decree which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable on the Fiscal 2008 B-1A Bonds or all debt obligations of the Authority secured by a lien on Revenues on a basis that is senior to or on a parity with the Fiscal 2008 B-1A Bonds, or (ii) the Authority shall (A) apply for or consent to the appointment of, or there shall occur 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) admit in writing its inability to pay its debts as they become due or shall become insolvent within the meaning of Section 101(32) of the United States Bankruptcy Code, (C) make a general assignment for the benefit of creditors, (D) file 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 (E) take any action for the purpose of effecting any of the acts set forth in clauses (A) through (D) above; or (iii) an involuntary case or other proceeding shall be commenced against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property, and such involuntary case shall remain undismissed and unstayed for a period of 60 days; or (iv) an order for relief shall be entered against the Authority under the Bankruptcy Code (as defined in the Reimbursement Agreement) as now or hereafter in effect; or

(d) (i) a final, nonappealable judgment shall be issued by a court of competent jurisdiction that the Fiscal 2008 B-1A Bonds (including Purchased Bonds) or any provision of the Reimbursement Agreement or of the Resolution relating to (A) the payment of principal or interest on any Fiscal

2008 B-1A Bonds (including Purchased Bonds) or the repayment of the related Liquidity Advances or (B) the pledge of the Revenues supporting the Fiscal 2008 B-1A Bonds, Purchased Bonds and the related Liquidity Advances shall cease for any reason to be valid and binding, or (ii) the Authority shall initiate legal proceedings or assert in legal proceedings or otherwise publicly contest, acting through an official of the Authority having authority to do so, that the Fiscal 2008 B-1A Bonds or any provision of the Reimbursement Agreement or of the Resolution relating to (A) the payment of principal or interest on the Fiscal 2008 B-1A Bonds (including Purchased Bonds) or the repayment of the related Liquidity Advances or (B) the pledge of the Revenues supporting the Fiscal 2008 B-1A Bonds, Purchased Bonds and the related Liquidity Advances is invalid or that the Authority has no liability thereon; or

(e) a final, nonappealable money judgment shall be entered by a court or other regulatory body of competent jurisdiction against the Authority in an amount in excess of ten million dollars (\$10,000,000) and the Authority shall have failed to satisfy said money judgment within ninety (90) days from the first date when said judgment shall have become enforceable and subject to collection in accordance with its terms.

Remedies. Following the occurrence of any of the above described Termination Events, the obligation of the B-1A Liquidity Provider to purchase Fiscal 2008 B-1A Bonds will immediately terminate without notice or demand and thereafter the B-1A Liquidity Provider will be under no obligation to honor Liquidity Drawings under the B-1A Liquidity Facility. Promptly after the B-1A Liquidity Provider receives written notice of any such Termination Event, the B-1A Liquidity Provider will give written notice of the same to the Tender Agent, the Authority and the Remarketing Agent; provided, however, that the B-1A Liquidity Provider will incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the termination of the B-1A Liquidity Provider's obligation to purchase Fiscal 2008 B-1A Bonds pursuant to the B-1A Liquidity Facility.

In the event of the issuance of any judgment that is appealable or not final but is otherwise described in clause (d)(i) above (such judgment a "Nonfinal Invalidation Judgment"), if such Nonfinal Invalidation Judgment has not been overturned or stayed upon appeal within 30 days after issuance thereof, the obligation of the B-1A Liquidity Provider to honor Liquidity Drawings under the B-1A Liquidity Facility and to purchase Fiscal 2008 B-1A Bonds each shall be suspended without notice or demand to any person, and thereafter the B-1A Liquidity Provider shall be under no obligation to honor Liquidity Drawings under the B-1A Liquidity Facility or to purchase Fiscal 2008 B-1A Bonds, from the thirtieth (30th) day after issuance of such Nonfinal Invalidation Judgment until such obligation is reinstated as specified below. The B-1A Liquidity Provider's obligation to honor Liquidity Drawings under the B-1A Liquidity Facility or to purchase Fiscal 2008 B-1A Bonds following the stay of any Nonfinal Invalidation Judgment shall be suspended immediately (without the lapse of another thirty day time period) if such stay is lifted pursuant to a subsequent Nonfinal Invalidation Judgment. Following any suspension pursuant to this paragraph (c), the obligation of the B-1A Liquidity Provider to honor Liquidity Drawings under the B-1A Liquidity Facility and to purchase Fiscal 2008 B-1A Bonds each immediately shall terminate and the B-1A Liquidity Provider shall be under no further obligation to honor Liquidity Drawings under the B-1A Liquidity Facility or to purchase Fiscal 2008 B-1A Bonds (i) from the date on which a court of competent jurisdiction shall enter a final, nonappealable judgment that the Fiscal 2008 B-1A Bonds or any provision of the Reimbursement Agreement or of the Resolution relating to (A) the payment of principal of or interest on the Fiscal 2008 B-1A Bonds or Purchased Bonds or the repayment of the related Liquidity Advances or (B) the pledge of Revenues supporting the Fiscal 2008 B-1A Bonds, Purchased Bonds and the related Liquidity Advances, as applicable, shall cease for any reason to be valid and binding and (ii) from the date that is the earlier to occur of the date the B-1A Liquidity Facility terminates in accordance with its terms and the date that is three years after the date of issuance of the relevant Nonfinal Invalidation Judgment, if on such date the relevant litigation is still pending and a final and nonappealable judgment related thereto has not been obtained. The obligation of the B-1A Liquidity Provider to honor Liquidity Drawings under the B-1A Liquidity Facility or to purchase Fiscal 2008 B-1A Bonds immediately shall be reinstated and the terms of the B-1A Liquidity Facility and the Reimbursement Agreement will continue in full force and effect

(unless the B-1A Liquidity Facility shall otherwise have terminated by its terms) as if there had been no such suspension on the date on which a court of competent jurisdiction shall issue a judgment that the Fiscal 2008 B-1A Bonds or any provision of the Reimbursement Agreement or of the Resolution, as applicable, relating to (A) the payment of principal of or interest on the Fiscal 2008 B-1A Bonds or Purchased Bonds or the repayment of the related Liquidity Advances or (B) the pledge of Revenues supporting the Fiscal 2008 B-1A Bonds, Purchased Bonds and the related Liquidity Advances, as applicable, is valid and binding.

Additionally, the Reimbursement Agreement provides that the B-1A Liquidity Provider's obligations to purchase Fiscal 2008 B-1A Bonds shall be suspended immediately and without notice upon the occurrence of the following event (a "Suspension Event"): an involuntary case or other proceeding shall be commenced against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under the Federal Bankruptcy Code (as defined below) or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property under the Federal Bankruptcy Code, and such involuntary case shall remain undismissed and unstayed for a period of 60 days. Upon the occurrence of the Suspension Event, the obligation of the B-1A Liquidity Provider to honor Liquidity Drawings under the B-1A Liquidity Facility and to purchase Fiscal 2008 B-1A Bonds with the proceeds thereof shall be immediately suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is so terminated, the obligations of the B-1A Liquidity Provider to honor Liquidity Drawings under the B-1A Liquidity Facility and to purchase Fiscal 2008 B-1A Bonds with the proceeds thereof shall be reinstated and the terms of the B-1A Liquidity Facility and the Reimbursement Agreement will continue in full force and effect (unless the obligations of the B-1A Liquidity Provider honor Liquidity Drawings under the B-1A Liquidity Facility and to purchase Fiscal 2008 B-1A Bonds with the proceeds thereof shall have otherwise terminated in accordance with the terms hereof and the terms of the Liquidity Facility) as if there had been no such suspension.

"Federal Bankruptcy Code" means the United States Bankruptcy Code, U.S.C. §§101, et. seq., or any successor statute thereto.

Other Remedies. Upon the occurrence of any Event of Default as described in the Reimbursement Agreement, the B-1A Liquidity Provider may deliver a notice (a "*Default Rate Notice*") to the Authority for purposes of increasing the Purchased Bonds Rate (as defined in the Reimbursement Agreement) payable on the Fiscal 2008 B-1A Bonds to the Default Rate (as defined in the Reimbursement Agreement) or take any other actions permitted by applicable law. The B-1A Liquidity Provider may, at any time, in its discretion, revoke a Default Rate Notice by written notice to the Authority. Upon any such revocation of a Default Rate Notice or upon cure of an Event of Default described above pursuant to which a Default Rate Notice was delivered, such Default Rate Notice shall be deemed no longer to be in effect.

In the case of certain other Events of Default under the Reimbursement Agreement, the B-1A Liquidity Provider, in its sole discretion, may (a) give written notice of such Event of Default under the Reimbursement Agreement to the Remarketing Agent and to the Tender Agent requesting a mandatory tender of all or any portion of the Fiscal 2008 B-1A Bonds pursuant to the Seventy-Ninth Supplemental Resolution and stating that the obligation of the B-1A Liquidity Provider to honor Liquidity Drawings (as defined in the Reimbursement Agreement) and purchase the Fiscal 2008 B-1A Bonds shall terminate 15 days after such notice is received by the Tender Agent and on such date the B-1A Liquidity Facility shall terminate and the B-1A Liquidity Provider shall be under no obligation to honor Liquidity Drawings and to purchase such Fiscal 2008 B-1A Bonds after such date or (b) give a written notice to the Authority directing the Authority to convert to a rate other than an Eligible Rate (as defined in the Reimbursement Agreement) all or any portion of the Fiscal 2008 B-1A Bonds in accordance with the terms of the Reimbursement Agreement.

In addition, upon the occurrence of any Event of Default under the Reimbursement Agreement, the B-1A Liquidity Provider may exercise all available remedies under the Related Documents (as defined in the Reimbursement Agreement) or otherwise available at law or equity.

The preceding is a summary of certain provisions expected to be included in the B-1A Liquidity Facility and Reimbursement Agreement and the proceedings under which the Fiscal 2008 B-1A 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 B-1A Liquidity Provider is included herein as “APPENDIX I – DESCRIPTION OF THE LIQUIDITY PROVIDERS.” Neither the Authority nor the Remarketing Agent makes any representation with respect to the information in “APPENDIX I – DESCRIPTION OF THE LIQUIDITY PROVIDERS.”

B-1B Liquidity Facility. The B-1B Liquidity Facility provides that, subject to the terms and conditions set forth therein, the B-1B Liquidity Provider shall purchase the Fiscal 2008 B-1B Bonds bearing interest at a Weekly Rate, tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms of the Resolution, in each case, to the extent such applicable Fiscal 2008 B-1B Bonds are not remarketed by the Remarketing Agent. The B-1B Liquidity Facility will expire on March 4, 2016 (the “Scheduled Termination Date”), unless extended or terminated pursuant to its terms.

Under certain circumstances described below, the obligation of the B-1B Liquidity Provider to purchase the Fiscal 2008 B-1B Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be immediately suspended or terminated without notice to the Bondholders. In such event, sufficient funds may not be available to purchase Fiscal 2008 B-1B Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the B-1B Liquidity Facility does not provide support or security for the payment of principal of, premium, if any, or interest on the Fiscal 2008 B-1B Bonds.

The B-1B Liquidity Provider will purchase from time to time during the period prior to the Scheduled Termination Date or earlier termination of the B-1B Liquidity Facility, any Fiscal 2008 B-1B Bonds bearing interest at a Weekly Rate (but excluding B-1B Liquidity Provider Bonds (as defined in the B-1B Liquidity Facility) and Fiscal 2008 B-1B Bonds owned by, for the account of, or on behalf of, the Authority), tendered or deemed tendered from time to time during the period from and including March 6, 2013, to and including the Scheduled Termination Date (unless earlier terminated pursuant to the terms of the B-1B Liquidity Facility) pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the Resolution, in each case, to the extent the Fiscal 2008 B-1B Bonds are not remarketed in accordance with the terms and provisions of the Remarketing Agreement. The price to be paid by the B-1B Liquidity Provider for the Fiscal 2008 B-1B Bonds will be equal to the aggregate principal amount of the Fiscal 2008 B-1B Bonds without premium thereof plus interest accrued and unpaid thereon to the date of such purchase (the “Purchase Price”), provided that the aggregate principal amount of such Fiscal 2008 B-1B Bonds so purchased shall not exceed the Available Allocated Principal Commitment (as defined in the B-1B Liquidity Facility). The aggregate amount of the Purchase Price comprising interest on the Fiscal 2008 B-1B Bonds purchased on any purchase date shall not exceed the lesser of (i) the Available Allocated Interest Commitment (as defined in the B-1B Liquidity Facility) on such date and (ii) the actual aggregate amount of interest accrued on each such Fiscal 2008 B-1B Bond, to but excluding the date of such purchase; *provided* that if the applicable purchase date is an Interest Payment Date the amount described in this clause (ii) shall be reduced by the amount of interest payable on each such Fiscal 2008 B-1B Bond on such Interest Payment Date.

The commitment of the B-1B Liquidity Provider under the B-1B Liquidity Facility is sufficient to pay a Purchase Price equal to the Outstanding principal of and up to 35 days’ interest on the Fiscal 2008 B-1B Bonds at the Maximum Rate.

The B-1B Liquidity Facility terminates immediately and without notice upon the occurrence of certain events of default (each, a “Termination Event”).

Termination Events. Termination Events under the B-1B Liquidity Facility consist of the following events: (i) (x) the Authority shall fail to pay when due any principal of or premium, if any, or interest on the Fiscal 2008 B-1B Bonds or B-1B Purchased Bonds (regardless of any waiver thereof by the holders of the Fiscal 2008 B-1B Bonds), or (y) any default by the Authority occurs and is continuing in the payment

of principal of or premium, if any, or interest on any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by or payable from the Revenues on a basis that is senior to or on a parity with the Fiscal 2008 B-1B Bonds and B-1B Purchased Bonds, or (z) pursuant to the provisions of any resolution, indenture, contract or other instrument, the maturity of any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by or payable from the Revenues on a basis that is senior to or on a parity with the Fiscal 2008 B-1B Bonds and B-1B Purchased Bonds, as the result of the occurrence of any default with respect to the payment of any principal or interest thereunder, is accelerated or such bond, note or other similar evidence of indebtedness is required to be paid prior to the stated maturity thereof; (ii) each of Moody's, S&P and Fitch (x) assigns a rating to any Senior Lien Debt (as defined in the B-1B Liquidity Facility) below "Baa3" in the case of Moody's and below "BBB-" in the case of S&P and Fitch or (y) withdraws or suspends any such rating for a credit-related reason; (iii)(x) (A) the Authority imposes a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable of the principal of or interest on the Fiscal 2008 B-1B Bonds or any debt obligations of the Authority secured by a lien on Revenues on parity with the Fiscal 2008 B-1B Bonds or the B-1B Purchased Bonds or (B) the State or any other governmental authority having jurisdiction over the Authority, as a result of a finding or ruling or any other official action of the State or such governmental authority, imposes a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable of the principal of or interest on the Fiscal 2008 B-1B Bonds or all debt obligations of the Authority secured by a lien on Revenues on parity with the Fiscal 2008 B-1B Bonds or B-1B Purchased Bonds or (y) the Authority (A) applies for or consents to the appointment of, or there occurs 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 to pay its debts as they become due or becomes insolvent within the meaning of Section 101(32) of the Bankruptcy Code (as defined in the B-1B Liquidity Facility), (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 or (E) takes any action for the purpose of effecting any of the acts set forth in clauses (A) through (D) above or (z) an involuntary case or other proceeding is commenced against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property, and such involuntary case remains undismissed and unstayed for a period of 60 days; or an order for relief is entered against the Authority under the federal bankruptcy laws as now or hereafter in effect; (iv) (x) a final, nonappealable judgment is issued by a court of competent jurisdiction that the Fiscal 2008 B-1B Bonds (including B-1B Purchased Bonds) or any provision of the B-1B Liquidity Facility or of the Resolution relating to (A) the payment of principal or interest on any tranche of Fiscal 2008 B-1B Bonds (including B-1B Purchased Bonds) or (B) the pledge of the Revenues supporting the Fiscal 2008 B-1B Bonds and B-1B Purchased Bonds is for any reason not valid and binding, or (y) the Authority initiates legal proceedings asserting or asserts in legal proceedings or otherwise publicly contests, acting through an official of the Authority having authority to do so, that the Fiscal 2008 B-1B Bonds or any provision of the B-1B Liquidity Facility or of the Resolution relating to (A) the payment of principal or interest on any tranche of Fiscal 2008 B-1B Bonds (including B-1B Purchased Bonds) or (B) the pledge of the Revenues supporting the Fiscal 2008 B-1B Bonds and B-1B Purchased Bonds is invalid or that the Authority has no liability thereon; and (v) a final, nonappealable money judgment is entered by a court or other regulatory body of competent jurisdiction against the Authority in an amount in excess of \$10,000,000 and the Authority fails to satisfy said money judgment within 90 days from the first date when said judgment becomes enforceable and subject to collection in accordance with its terms.

Additionally, the B-1B Liquidity Facility provides that the B-1B Liquidity Provider's obligations to purchase Fiscal 2008 B-1B Bonds shall be suspended immediately and without notice upon the occurrence of the following event (a "Suspension Event"): In the event of the issuance of any judgment that is appealable or not final but is otherwise described in clause (iv)(x) above (such judgment a

“Nonfinal Invalidation Judgment”), if such Nonfinal Invalidation Judgment has not been overturned or stayed upon appeal within 30 days after issuance thereof, the Available Allocated Commitments (as defined in the B-1B Liquidity Facility) and the obligation of the B-1B Liquidity Provider under the B-1B Liquidity Facility to purchase Fiscal 2008 B-1B Bonds shall be suspended without notice or demand to any person, and thereafter the B-1B Liquidity Provider shall be under no obligation to purchase Fiscal 2008 B-1B Bonds from the 30th day after issuance of such Nonfinal Invalidation Judgment until such obligation is reinstated as specified below. The B-1B Liquidity Provider’s obligation to purchase Fiscal 2008 B-1B Bonds following the stay of any Nonfinal Invalidation Judgment shall be suspended immediately (without the lapse of another 30 day time period) if such stay is lifted pursuant to a subsequent Nonfinal Invalidation Judgment. Following any suspension pursuant to the terms of the B-1B Liquidity Facility, the obligation of the B-1B Liquidity Provider to purchase bonds under the B-1B Liquidity Facility immediately shall terminate and the B-1B Liquidity Provider shall be under no further obligation to purchase Fiscal 2008 B-1B Bonds under the B-1B Liquidity Facility (i) from the date on which a court of competent jurisdiction enters a final, nonappealable judgment that the Fiscal 2008 B-1B Bonds or any provision of the B-1B Liquidity Facility or of the Resolution relating to (A) the payment of principal of or interest on the Fiscal 2008 B-1B Bonds or B-1B Purchased Bonds or (B) the pledge of Revenues supporting the Fiscal 2008 B-1B Bonds and B-1B Purchased Bonds, as applicable, is for any reason not valid and binding and (ii) from the date that is the earlier to occur of the date the B-1B Liquidity Facility terminates in accordance with its terms and the date that is one year after the date of issuance of the relevant Nonfinal Invalidation Judgment, if on such date the relevant litigation is still pending and a final and nonappealable judgment related thereto has not been obtained. The Available Allocated Commitments (as defined in the B-1B Liquidity Facility) and obligation of the B-1B Liquidity Provider to purchase bonds under the B-1B Liquidity Facility shall immediately be reinstated and the terms of the B-1B Liquidity Facility will continue in full force and effect (unless the B-1B Liquidity Facility has otherwise terminated by its terms) as if there had been no such suspension on the date on which a court of competent jurisdiction issues a judgment that the Fiscal 2008 B-1B Bonds or any such provision of the B-1B Liquidity Facility or of the Resolution, as applicable, relating to (A) the payment of principal of or interest on the Fiscal 2008 B-1B Bonds or B-1B Purchased Bonds or (B) the pledge of Revenues supporting the Fiscal 2008 B-1B Bonds and B-1B Purchased Bonds, as applicable, is valid and binding.

Other Remedies. Upon the occurrence of any Event of Default under the B-1B Liquidity Facility, the B-1B Liquidity Provider may deliver a notice to the Authority for purposes of increasing the Purchased Bonds Rate payable on the B-1B Bank Bonds to the Default Rate or take any other actions permitted by applicable law. The B-1B Liquidity Provider may, at any time, in its discretion, revoke a Default Rate Notice by written notice to the Authority. Upon any such revocation of a Default Rate Notice or upon cure of an Event of Default under the B-1B Liquidity Facility pursuant to which a Default Rate Notice was delivered, such Default Rate Notice shall be deemed no longer to be in effect.

In the case of the occurrence of certain events of default under the B-1B Liquidity Facility, the B-1B Liquidity Provider, in its sole discretion, may (x) give written notice of such event of default to the Remarketing Agent and to the Tender Agent requesting a mandatory tender of all or any portion of the Fiscal 2008 B-1B Bonds pursuant to the Resolution and stating that the obligation of the B-1B Liquidity Provider to purchase the Fiscal 2008 B-1B Bonds under the B-1B Liquidity Facility will terminate 30 days after such notice is received by the Tender Agent and on such date the related available allocated commitment for all tranches to purchase tendered Fiscal 2008 B-1B Bonds will terminate and the B-1B Liquidity Provider will be under no obligation to purchase such Fiscal 2008 B-1B Bonds after such date, or (y) give a written notice to the Authority directing the Authority to convert the interest rate on all or any portion of the Fiscal 2008 B-1B Bonds to an interest rate other than an Eligible Rate in accordance with the terms of the B-1B Liquidity Facility.

The preceding is a summary of certain provisions expected to be included in the B-1B Liquidity Facility and the proceedings under which the Fiscal 2008 B-1B 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 B-1B Liquidity Provider is included herein as “APPENDIX I — DESCRIPTION OF THE LIQUIDITY PROVIDERS.” Neither the Authority nor

the Remarketing Agent makes any representation with respect to the information in “APPENDIX I – DESCRIPTION OF THE LIQUIDITY PROVIDERS” relating to the B-1B Liquidity Provider.

Substitution of a Credit Facility

The Authority may replace a Credit Facility with a substitute Credit Facility; *provided, however*, that the Fiscal 2008 B-1 Bonds which are secured by such Credit Facility will be subject to mandatory tender on the substitution date if, solely as a result of such substitution, any Rating Agency would reduce or withdraw any rating assigned to such Fiscal 2008 B-1 Bonds.

No later than five (5) Business Days prior to the effective date of a substitute Credit Facility the Tender Agent shall give notice to the Holders of the Outstanding Fiscal 2008 B-1 Bonds to which such Credit Facility relates, which notice is to 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 Liquidity Provider of such substitute Credit Facility; (iii) a statement as to the ratings on such Fiscal 2008 B-1 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 Liquidity Provider necessary for such substitute Credit Facility to become effective have been obtained. The failure of any Holder of a Fiscal 2008 B-1 Bond to receive such notice will not affect the validity of the proceedings in connection with the effectiveness of such substitute Credit Facility.

SECURITY FOR THE BONDS

Revenues

The Act empowers the Board to establish and collect rates, fees and charges for the use of service provided by the System in order to receive Revenues, which together with other available amounts, will be sufficient to place the System on a self-sustaining basis. All Revenues of the System are deposited by the Board in the Local Water Fund held by the Board. The Authority holds a statutory first lien on the Revenues for the payment of all amounts due to the Authority under the Agreement. In the event that the Board fails to make any required payment to the Authority, the Authority or the Trustee may petition for the appointment, by any court having jurisdiction, of a receiver to administer the affairs of the Board, and, with court approval, establish rates and charges to provide Revenues sufficient to make required payments. However, no holder or owner of any bond or note issued by the Authority, or any receiver of the System, may compel the sale of any part of the System.

The City has covenanted in the Agreement to operate and maintain the System in accordance with the advice and recommendations of the Consulting Engineer. Such obligation to operate and maintain the System may be enforced by the Authority in accordance with the provisions of the Act and the terms of the Agreement and the Lease and is not contingent on payment by the Board. The amounts required to operate and maintain the System are certified to the Board by the City and reviewed by the Consulting Engineer.

Beginning on the first day of each month the Board is required to pay to the Trustee under the Resolution the Revenues in the Local Water Fund, for deposit in the Revenue Fund established under the Resolution until the amount so deposited equals the Minimum Monthly Balance and the Required Deposits for such month. The Minimum Monthly Balance is the amount required to accumulate the funds necessary for timely payment of all debt service on Outstanding Bonds. Required Deposits are the amounts required to be paid from Revenues for deposit to the Authority Expense Fund (including both periodic and termination payments under Interest Rate Exchange Agreements (see “APPENDIX D – FINANCIAL STATEMENTS – Note 5”)), the Debt Service Reserve Fund and the Subordinated Indebtedness Fund, including amounts required for payment of the Second Resolution Bonds and other subordinate debt. See “APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the Agreement – Minimum Monthly Balance.”

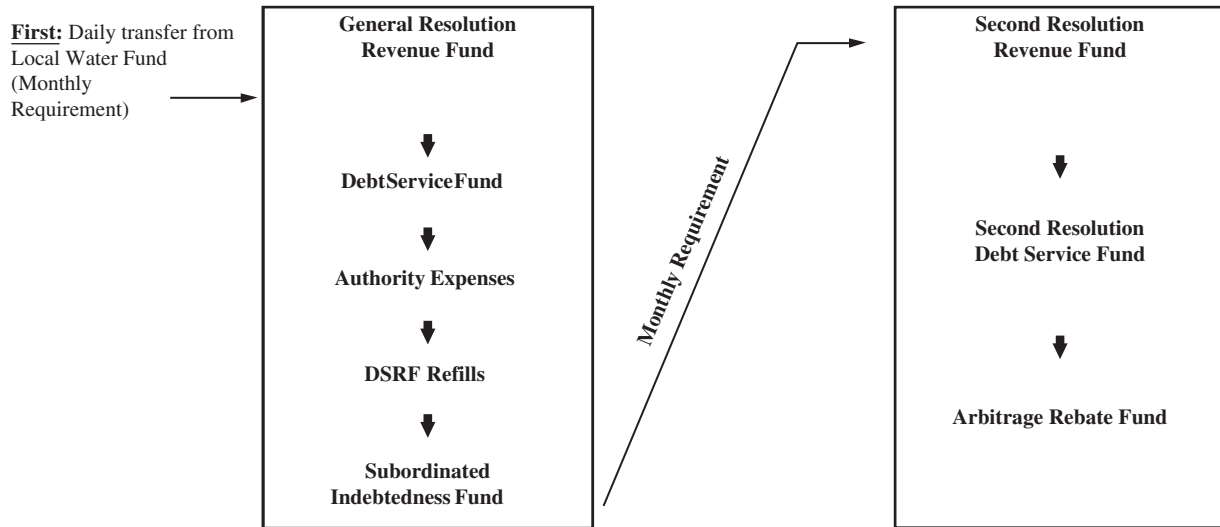
Amounts on deposit in the Revenue Fund are required to be paid to the following funds established under the Resolution in the following order of priority: first, to the Debt Service Fund; second, to the Authority Expense Fund; third, to the Debt Service Reserve Fund to replenish any deficiency therein; and fourth, to the Subordinated Indebtedness Fund. If amounts on deposit in such Debt Service Fund or such Debt Service Reserve Fund are less than the requirements thereof, amounts on deposit in the Subordinated Indebtedness Fund are required to be used to make up such deficiency. See “APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the First Resolution – Payments into Certain Funds.”

In each month, after making required payments to the Revenue Fund, the Board is required, after paying monthly Board Expenses, to pay the City 1/12 of the Operating Expenses for the current Fiscal Year from the balance remaining in the Local Water Fund. After making such payments, any amounts remaining in the Local Water Fund in each month are paid proportionately (a) to the Trustee for deposit in the Revenue Fund until the total of all amounts deposited in the Revenue Fund equals the Cash Flow Requirement for such Fiscal Year and (b) to the City until all amounts required to be paid to the City for Operating Expenses for such Fiscal Year have been paid. For a more complete description of the required payments from the Local Water Fund, see “APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the First Resolution” and “Summary of the Agreement.”

The Fiscal 2008 B-1 Bonds will be on a parity with the currently Outstanding Bonds and with Bonds hereafter issued, and are payable from and secured by a pledge of (i) all Revenues, (ii) all moneys or securities in any of the Funds and Accounts established under the Resolutions and (iii) all other moneys and securities to be received, held or set aside pursuant to the Resolution, subject only to the provisions of the Resolution and the Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, including the making of any required payments to the United States with respect to arbitrage earnings. See “APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the First Resolution” and “Summary of the Agreement.”

Pursuant to the Agreement, the Resolution and the Second Resolution, the Revenues received by the Board will be applied in the manner set forth in the following chart. The information contained in such chart is qualified by reference to the Agreement, the Resolution and the Second Resolution.

Consolidated Flow of Funds



Second: Daily transfer from Local Water Fund (Monthly Requirement)

- • Water Board Expenses

Third: Daily transfer from Local Water Fund (Monthly Requirement)

- • System Operations and Maintenance

Fourth: Daily transfer from Local Water Fund (Up to Annual Requirement)

- Pro rata to:
 - First Resolution Revenue Fund: for annual Debt Service, Authority expenses, DSRF, Subordinate Indebtedness (Second Resolution)
 - System Operations and Maintenance

Fifth - Seventh: Daily transfer from Local Water Fund (After Debt Service is set aside; typically funded during the last few months of the fiscal year)

- • City lease payment, operating and maintenance reserve replenishment, surplus including pay as you go capital

Debt Service Reserve Fund

The Resolution establishes a Debt Service Reserve Fund and requires as a condition to the issuance of each Series of Bonds that there be deposited into the Debt Service Reserve Fund the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement, after giving effect to the issuance of such Bonds. The Debt Service Reserve Requirement is an amount equal to maximum annual Adjusted Aggregate Debt Service in the then current or any future Fiscal Year on all Bonds Outstanding. Amounts on deposit in the Debt Service Reserve Fund will be applied, to the extent Revenues are not available, to pay Principal Installments and interest on the Bonds. In lieu of making cash deposits to the Debt Service Reserve Fund, the Authority may satisfy the Debt Service Reserve Requirement by depositing Financial Guaranties into the Debt Service Reserve Fund. See “APPENDIX C — GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS — Summary of the First Resolution-Debt Service Reserve Fund.”

On June 30, 2012 the market value of the securities and cash in the Debt Service Reserve Fund was in excess of the Debt Service Reserve Fund Requirement which was approximately \$816.7 million as of such date.

Rate Covenant

The Board has covenanted in the Agreement to establish, fix, revise and collect rates, fees and charges for the use of, or the services furnished by the System, adequate, together with other available funds, to provide for (i) the timely payment of Principal Installments of and interest on all Bonds, and the principal of and interest on any other indebtedness of the Authority (which includes Second Resolution Bonds and other subordinate debt) payable from Revenues, (ii) the proper operation and maintenance of the System, (iii) all other payments required for the System not otherwise provided for, and (iv) all other payments required pursuant to the Agreement and the Lease.

Without limiting the generality of the foregoing, the Board has covenanted to establish and collect rates, fees and charges sufficient in each Fiscal Year so that Revenues collected in such Fiscal Year will be at least equal to the sum of 115% of Aggregate Debt Service and Projected Debt Service on all Bonds (excluding Refundable Principal Installments that are payable from funds held in trust therefor) payable in such Fiscal Year, and 100% of the Operating Expenses and Required Deposits (including debt service on Second Resolution Bonds and other subordinate debt) required to be paid from Revenues for such Fiscal Year (the "Rate Covenant"). For information about the treatment of Refundable Principal Installments under the Rate Covenant, see " – Refundable Principal Installments" below.

Under the Resolution and the Second Resolution, the Authority is required to submit to the Board by May 1 of each year the Authority Budget for the ensuing Fiscal Year showing the itemized estimated Cash Flow Requirement for such Fiscal Year. At the beginning of each month, the Authority is to recalculate the Cash Flow Requirement for the then current Fiscal Year and to submit any revisions to the Authority Budget required as a consequence to the Board. The Authority Budget and Cash Flow Requirement are to be used by the Board to set rates, fees and charges.

The Board has covenanted in the Agreement to review the adequacy of rates, fees and charges at least annually. If such annual review, or the report of the Rate Consultant required pursuant to the Agreement, indicates that the rates, fees and charges are or will be insufficient to meet the requirements of the Rate Covenant described above, the Board will promptly take the necessary action to cure or avoid any such deficiency. In addition, under the Agreement, the City, which is responsible for billing, collecting and enforcing collections of rates and charges established by the Board, has agreed that it will diligently pursue all actions necessary to cure or avoid any such deficiency.

The Board has covenanted in the Agreement that it will not furnish or supply or cause to be furnished or supplied any product, use or service of the System free of charge or at a nominal charge, and will enforce (or cause the City to enforce) the payment of any and all amounts owing to the Board for use of the System, except to the extent required by the Act, as in effect on July 24, 1984.

Additional Bonds

The Authority may issue additional Bonds to pay for capital improvements to the System, to pay or provide for the payment of Bonds, Second Resolution Bonds and bond anticipation notes, including commercial paper notes, to refund general obligation bonds of the City issued for water or sewer purposes and to fund certain reserves. Under the Resolution, additional Bonds may be issued only upon satisfaction of certain requirements, including receipt by the Trustee of:

- (a) a certificate by an Authorized Representative of the Authority to the effect that the Revenues for either of the last two Fiscal Years immediately preceding the Fiscal Year in which such Bonds are to be issued were at least equal to the sum of 115% of the Aggregate Debt Service during such Fiscal Year (excluding from Aggregate Debt Service any Principal Installments, or portion thereof, paid from a source other than Revenues), and 100% of the sum of the Operating Expenses of the System certified by the City and the Required Deposits for such Fiscal Year, and
- (b) a certificate of the Rate Consultant to the effect that the estimated Revenues for either of the following five Fiscal Years (plus the Fiscal Year in which such Bonds are issued) after giving effect to any increases or decreases in rates, fees and charges projected for such Fiscal Years will be

at least equal to the sum of 115% of the maximum estimated Adjusted Aggregate Debt Service on all Bonds then Outstanding including the Bonds to be issued, and 100% of the sum of the projected Operating Expenses and Required Deposits for such Fiscal Years. Adjusted Aggregate Debt Service includes an assumed amortization of Refundable Principal Installments under certain circumstances.

The Authority may issue additional Bonds for the purpose of refunding Outstanding Bonds without satisfaction of the requirements described above only if:

(a) the average annual debt service on the refunding Bonds does not exceed the average annual debt service on the Bonds to be refunded, and

(b) the maximum debt service in any Fiscal Year on the refunding Bonds does not exceed the maximum debt service in any Fiscal Year on the Bonds to be refunded.

See “APPENDIX C — GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS — Summary of the First Resolution.”

Authority Debt

At the date of this Official Statement, the Authority has approximately \$8.2 billion aggregate principal amount of Outstanding First Resolution Bonds (Capital Appreciation Bonds are included at their full accreted value at maturity). In addition, at the date of this Official Statement, the Authority has approximately \$20.6 billion aggregate principal amount of Outstanding Second Resolution Bonds, including \$404.4 million in bond anticipation notes issued to the New York State Environmental Facilities Corporation. Of such First Resolution Bonds and Second Resolution Bonds, approximately \$3.6 billion are adjustable rate demand bonds, none of which is insured and none of which is an auction rate bond. Interest Rate Exchange Agreements are used to hedge \$401 million of the Authority’s adjustable rate demand bonds (see “APPENDIX D — FINANCIAL STATEMENTS — Note 5”).

Second Resolution Bonds are payable from, among other sources, and secured by a pledge of, amounts on deposit in the Subordinated Indebtedness Fund, subject to the first lien on such amounts in favor of the First Resolution Bonds. Amounts on deposit in the Subordinated Indebtedness Fund will be available, to the extent not utilized for First Resolution Bonds, to pay debt service on Second Resolution Bonds.

The Authority’s adjustable rate demand bonds are all supported by liquidity facilities with various banks in the form of standby bond purchase agreements and a standby letter of credit. None of the standby bond purchase agreements or the standby letter of credit and related reimbursement agreement supporting adjustable rate demand bonds provides for acceleration or a mandatory term out of bonds purchased thereunder, but all have provisions for the rates to be adjusted upward (up to 25% in the case of bonds held by a liquidity provider) in the event of the inability to remarket such bonds. For further information regarding agreements supporting the Authority’s adjustable rate demand bonds, see Appendix F hereto, which also includes liquidity agreements for \$400 million of commercial paper.

The Authority is currently authorized to have outstanding up to \$800 million of commercial paper notes, including up to \$400 million of the Extendable Municipal Commercial Paper Notes described below (collectively, the “Commercial Paper Notes”). The Commercial Paper Notes are special obligations of the Authority, the proceeds of which are used to pay the costs of capital improvements to the System. The Commercial Paper Notes, Series One and Series Six are each secured by standby line of credit agreements which provide liquidity for such Commercial Paper Notes. The Authority has authorized its Extendable Municipal Commercial Paper Notes, Series Seven and Extendable Municipal Commercial Paper Notes, Series Eight (collectively, the “EMCP Notes”). Principal of and interest on the EMCP Notes are not secured by any liquidity or credit facility and are payable from remarketing proceeds and the proceeds of additional EMCP Notes, Bonds or Second Resolution Bonds. If payment of an EMCP Note is not made on its stated maturity date, which may not be more than 90 days after its date of issuance, the maturity date will be automatically extended to a date that is 270 days after the

EMCP Note's issuance. Payment of the interest accrued through the original maturity date will be deferred until the extended maturity date. Upon extension, the EMCP Note will bear interest on the principal and deferred interest at a rate determined by a formula that is based upon a percentage of the SIFMA Municipal Index, which changes weekly, plus an upward adjustment that ranges from an additional 100 basis points to 400 basis points depending upon the ratings on the EMCP Notes. Currently, the adjustment would be 100 basis points. Interest on the extended EMCP Notes is payable monthly. The principal, deferred interest and accrued and unpaid interest on the extended EMCP Notes is payable on the extended maturity date.

Interest on the Commercial Paper Notes is secured by the Revenues of the System and the moneys and investments from time to time on deposit in the Subordinated Indebtedness Fund and the funds and accounts established under the respective commercial paper resolutions authorizing their issuance. However, the pledge of the Revenues and the moneys and investments from time to time on deposit in the Subordinated Indebtedness Fund is subject and subordinate to the pledge thereof made by the Resolution for the benefit of the holders of Bonds. Principal of the Commercial Paper Notes is secured solely by the proceeds of bonds issued to repay the Commercial Paper Notes.

The Authority's obligations to the banks providing standby lines of credit in connection with outstanding Commercial Paper Notes, including the Authority's obligation to pay principal of and interest on indebtedness incurred under such lines of credit, are secured by a pledge of the moneys and investments on deposit in the Subordinated Indebtedness Fund on a parity with the pledge to secure the Second Resolution Bonds. Indebtedness incurred by the Authority under such lines of credit, if not repaid within 90 days, becomes payable over a period ending on the earlier of (i) three years after the expiration of the line of credit agreement or (ii) five years after the date of incurrence of such indebtedness. Interest on such advances is also secured by a pledge of Revenues which is subordinate to the pledge securing the Bonds.

Refundable Principal Installments

As permitted by the Second Resolution, the Authority has designated the maturities of certain Second Resolution Bonds as "Refundable Principal Installments." The table below shows the series, maturity dates and principal amounts of those Bonds. A "Refundable Principal Installment" is an installment of principal which the Authority intends to pay with moneys that are not Revenues. In calculating Adjusted Debt Service for purposes of the additional bonds test and Debt Service Reserve Fund Requirement under the Second Resolution, the stated principal amount of a Refundable Principal Installment is treated as if it were payable over a period extending from the due date of such Refundable Principal Installment through the last date on which it could have been authorized to be paid under the Act. The assumed amortization is calculated based upon equal annual payments of principal and interest over such period, with interest at the actual interest cost of the Series of Second Resolution Bonds that include the Refundable Principal Installment. The Adjusted Debt Service will continue to be calculated in this manner through the Fiscal Year in which each Refundable Principal Installment is stated to be due, unless the Authority has not made provision for its payment from sources other than Revenues by the time it adopts its budget for the Fiscal Year in which a Refundable Principal Installment is stated to be due. If provision has not been made by that time, Adjusted Debt Service for the Fiscal Year in which the Refundable Principal Installment comes due will include the full amount of the Refundable Principal Installment. See "CAPITAL IMPROVEMENT AND FINANCING PROGRAM — Debt Service Requirements."

Refundable Principal Installments

<u>Series</u>	<u>Maturity Date (June 15)</u>	<u>Principal Amount</u>
2012 Series DD	2018	\$ 35,000,000
2012 Series DD	2027	15,000,000
2012 Series GG	2017	25,000,000
2012 Series GG	2019	25,000,000
Total		\$100,000,000

For purposes of the Board's rate covenant, Refundable Principal Installments may be excluded from Debt Service to the extent they are payable from funds held in trust therefor. See "— Rate Covenant."

Derivatives

In an effort to reduce its borrowing costs over the life of its bonds, the Authority has entered into interest rate exchange agreements. For more information on the Authority's interest rate exchange agreements, see "APPENDIX D — FINANCIAL STATEMENTS — Note 5."

Covenant of the State

Section 1045-t of the Act constitutes a pledge of the State to the holders of Bonds and Second Resolution Bonds not to limit or alter the rights vested in the Authority or the Board by the Act to fulfill the terms of any agreement made with or for the benefit of the holders of the Bonds and Second Resolution Bonds until such obligations together with the interest thereon are fully met and discharged.

APPROVAL OF LEGAL PROCEEDINGS

In connection with the remarketing of the Fiscal 2008 B-1 Bonds, certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. A complete copy of the form of opinion of Bond Counsel delivered at the original issuance of the Fiscal 2008 B-1 Bonds is set forth as Appendix E-1. The form of the Remarketing Opinion to be delivered by Bond Counsel on the date of remarketing is set forth as Appendix E-2. 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 Remarketing Agent by Nixon Peabody LLP, New York, New York.

RATINGS

S&P has issued a long-term rating of "AAA," Fitch has issued a long-term rating of "AA+" and Moody's has issued a long-term rating of "Aa1" on the Fiscal 2008 B-1 Bonds.

S&P has issued a short-term rating of "A-1," Fitch has issued a short-term rating of "F1" and Moody's has issued a short-term rating of "VMIG-1" on the Fiscal 2008 B-1A Bonds based on the short-term rating of the B-1A Liquidity Provider.

S&P has issued a short-term rating of "A-1+," Fitch has issued a short-term rating of "F1+" and Moody's has issued a short-term rating of "VMIG-1" on the Fiscal 2008 B-1B Bonds based on the short-term rating of the B-1B Liquidity Provider.

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 rating 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 2008 B-1 Bonds.

REMARKETING

The Remarketing Agent has agreed, subject to certain conditions, to remarket the Fiscal 2008 B-1 Bonds on March 6, 2013 at an aggregate price which is equal to the initial offering price thereof. The obligations of the Remarketing Agent are subject to certain conditions precedent, and the Remarketing Agent will be obligated to remarket all of the Fiscal 2008 B-1 Bonds if any of the Fiscal 2008 B-1 Bonds are remarketed. The Authority will reimburse the Remarketing Agent for certain expenses in connection with the remarketings.

TAX MATTERS

On the date of original issuance and delivery of the Fiscal 2008 B-1 Bonds, Bond Counsel delivered an opinion to the effect that, based upon an analysis of then existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Fiscal 2008 B-1 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. It was the further opinion of Bond Counsel that interest on the Fiscal 2008 B-1 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum income taxes, although Bond Counsel observed that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. It was the further opinion of Bond Counsel that interest on the Fiscal 2008 B-1 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). A complete copy of the opinion of Bond Counsel delivered at the original issuance of the Fiscal 2008 B-1 Bonds is set forth as Appendix E-1. In connection with the remarketing of the Fiscal 2008 B-1 Bonds, Bond Counsel will deliver its opinion (the "Remarketing Opinion") to the effect that the unconsolidation of the Fiscal 2008 B-1 Bonds into subseries and the substitution of the Credit Facilities relating to the Fiscal 2008 B-1 Bonds will not, in and of themselves, adversely affect any exclusion from gross income of interest on the Fiscal 2008 B-1 Bonds for federal income tax purposes. The text of the Remarketing Opinion to be delivered by Bond Counsel is set forth as Appendix E-2. Bond Counsel is not rendering any opinion on the current tax status of the Fiscal 2008 B-1 Bonds.

As described in the Official Statement relating to the original issuance of the Fiscal 2008 B-1 Bonds, the Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Fiscal 2008 B-1 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Fiscal 2008 B-1 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Fiscal 2008 B-1 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Fiscal 2008 B-1 Bonds. The opinion of Bond Counsel rendered in connection with the original issuance of the Fiscal 2008 B-1 Bonds assumed the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Fiscal 2008 B-1 Bonds may adversely affect the value of, or the tax status of interest on, the Fiscal 2008 B-1 Bonds. Accordingly, the opinion of Bond Counsel delivered in connection with the original issuance of the Fiscal 2008 B-1 Bonds is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although the opinion of Bond Counsel rendered in connection with the original issuance of the Fiscal 2008 B-1 Bonds stated that interest on the Fiscal 2008 B-1 Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Fiscal 2008 B-1 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences

depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expressed no opinion regarding any such other tax consequences upon the original issuance of the Fiscal 2008 B-1 Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Fiscal 2008 B-1 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Fiscal 2008 B-1 Bonds. Prospective purchasers of the Fiscal 2008 B-1 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel rendered in connection with the original issuance of the Fiscal 2008 B-1 Bonds was based on then-current legal authority, covered certain matters not directly addressed by such authorities, and represented Bond Counsel's judgment as to the proper treatment of the Fiscal 2008 B-1 Bonds for federal income tax purposes. Such opinions are not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority covenanted upon the original issuance of the Fiscal 2008 B-1 Bonds, however, to comply with the requirements of the Code.

Unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Fiscal 2008 B-1 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Fiscal 2008 B-1 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Fiscal 2008 B-1 Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

NEW YORK CITY MUNICIPAL WATER
FINANCE AUTHORITY

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GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS

GLOSSARY

Set forth below are definitions of certain terms contained in the Agreement, the Lease, the Resolution and not otherwise defined in this Official Statement.

Adjusted Aggregate Debt Service: For any Fiscal Year and as of any date of calculation is the sum of the Adjusted Debt Service for all Series of Bonds Outstanding during such Fiscal Year.

Adjusted Debt Service: For any Fiscal Year, as of any date of calculation and with respect to any Series of Bonds, is the Debt Service for such Fiscal Year for such Series except that, if any Refundable Principal Installment of such Series of Bonds is included in Debt Service for such Fiscal Year, Adjusted Debt Service shall mean Debt Service determined as if each such Refundable Principal Installment had been payable over a period extending from the due date of such Refundable Principal Installment through the last date on which such Series of Bonds could have been stated to mature under the Act as in effect on the date of issuance of such Series, in installments which would have required equal annual payments of Principal Installments and interest over such period. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at the actual interest cost payable on the Bonds of such Series (using the actuarial method of calculation).

Aggregate Debt Service: For any Fiscal Year, as of any date of calculation, the sum of the Debt Service for all Bonds Outstanding during such Fiscal Year.

Authority Expenses: All reasonable or necessary current expenses of the Authority, including all salaries, administrative, general, commercial, engineering, advertising, public notice, auditing and legal expenses, insurance and surety bond premiums, fees paid to banks, insurance companies or other financial institutions for the issuance of Credit Facilities, consultants' fees and charges, payment to pension, retirement, health and hospitalization funds, costs of public hearings, ordinary and current rentals of equipment and other property, lease payments for real property or interests therein, expenses, liabilities and compensation of any Fiduciary and all other expenses necessary, incidental or convenient for the efficient operation of the Authority. Bond Counsel has determined that payments made under an Interest Rate Exchange Agreement are deemed Authority Expenses if the Interest Rate Exchange Agreement relates to First Resolution Bonds.

Authorized Newspaper: The Bond Buyer or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

Authorized Representative: the case of both the Authority and the Board, their respective Chairman or Executive Director, or such other person or persons so designated by resolution of the Authority or the Board, as the case may be, and in the case of the City, the Mayor, unless a different City official is designated to perform the act or sign the document in question.

Bond or Bonds: For purposes of the Agreement and the Resolution (and as used in this Official Statement unless the context otherwise requires), the bonds, notes or other evidences of indebtedness issued by the Authority under and pursuant to the Act and the Resolution, including Parity Bond Anticipation Notes and Parity Reimbursement Obligations; but shall not mean Subordinated Indebtedness or other Bond Anticipation Notes or Reimbursement Obligations; and for purposes of the Lease, means any bonds, notes or other evidences of indebtedness for borrowed money issued by the Authority.

Bond Counsel's Opinion: An opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to revenue bonds of municipalities and public agencies, selected by the Authority and satisfactory to the Trustee.

Bond Payment Date: June 15 and December 15 of each year; provided, however, that if any such day is not a Business Day, then the Bond Payment Date shall be the next succeeding Business Day.

Business Day: Any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America or the Note Trustee are legally authorized to close in the City.

Cash Flow Requirement: For each Fiscal Year and as of any date of certification, the amount, certified by the Authority to the Trustee and the Board equal to the difference between (A) the sum of (i) the estimated Aggregate Debt Service for such Fiscal Year, (ii) the Projected Debt Service for such Fiscal Year, (iii) the estimated Authority Expenses for such Fiscal Year, and (iv) the other Required Deposits estimated for such Fiscal Year and (B) (i) if the certification is made prior to the commencement of the Fiscal Year, the amount anticipated by the Authority as of such date of certification to be held by the Trustee, as of the first day of such Fiscal Year, in the Revenue Fund and (ii) if the certification is made after the commencement of such Fiscal Year, the amount which had been anticipated pursuant to (B) (i) above.

Consulting Engineer: AECOM USA, Inc. or such other independent engineer or engineering firm of recognized standing selected by the Authority and satisfactory to the Board.

Corporation: The New York State Environmental Facilities Corporation and any successor entity which may succeed to its rights and duties respecting the State Revolving Fund.

Cost or Costs of a Water Project: The cost of construction, as such term is defined in the Act, including, without limiting the generality of the foregoing, the erection, alteration, improvement, increase, enlargement or rehabilitation of the System or a Water Project, the inspection and supervision thereof, the engineering, architectural, legal, fiscal, economic and environmental investigations and studies, designs, surveys, plans, specifications, procedures and other actions incidental thereto; the cost of the acquisition of all Property; the cost of demolishing, removing or relocating any buildings or structures on lands so acquired (including the cost of acquiring any lands to which such buildings or structures may be moved or relocated); the cost of all systems, facilities, machinery, appurtenances, equipment, financing charges and interest prior to, during and after construction (if not paid or provided for from revenues or other sources); the cost of engineering and architectural surveys, plans and specifications; the cost of consultants' and legal services; the cost of lease guarantee or bond insurance; other expenses necessary, reasonably related or incidental to the construction of such Water Project and the financing of the construction thereof, including the cost of Credit Facilities, the amounts authorized in the Resolution to be paid into any reserve or other special fund from the proceeds of Bonds and the financing or the placing of any Water Project in operation, including reimbursement to any governmental entity or any other person for expenditures that would be Costs of such Water Project and all claims arising from any of the foregoing.

Counterparty: An entity whose senior long term debt obligations, or whose obligations under an Interest Rate Exchange Agreement are guaranteed by a financial institution whose senior long term debt obligations, have a rating (at the time the subject Interest Rate Exchange Agreement is entered into) of Aa or better by Moody's Investors Service and CC or better by Standard & Poor's Ratings Services.

Credit Facility: A letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments or interest due on any Series of Bonds or provides funds for the purchase of such Bonds or portions thereof.

Debt Service: For any Fiscal Year or part thereof, as of any date of calculation and with respect to any Series, means an amount equal to the sum of (a) interest payable during such Fiscal Year or part thereof on Bonds of such Series, except to the extent that such interest is to be paid from amounts representing Capitalized Interest and (b) the Principal Installments of the Bonds of such Series payable during such Fiscal Year or part thereof. Such interest and Principal Installments for such Series shall be

calculated on the assumption that (x) no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of Sinking Fund Installments and (y) Variable Rate Bonds will bear interest at the greater of (A) the rate or rates which were assumed by the Authority in the Authority Budget for such Fiscal Year to be borne by Variable Rate Bonds during such Fiscal Year or (B) the actual rate or rates borne during such Fiscal Year on Variable Rate Bonds Outstanding during the 12 calendar months preceding the date of calculation.

Debt Service Reserve Requirement: As of any date of calculation, and for any Fiscal Year, shall mean the amount equal to the maximum Adjusted Aggregate Debt Service in the current or any future Fiscal Year on all Bonds Outstanding; provided, however, that, if (i) the payment of the Principal Installments of or interest on any Series of Bonds or portion thereof is secured by a Special Credit Facility, (ii) the payment of the Tender Option Price of any Option Bond of a Series is secured by a Special Credit Facility or (iii) the Authority has determined in a Supplemental Resolution authorizing the issuance of a Series of Bonds that such Series of Bonds will not be secured by the Common Account in the Debt Service Reserve Fund, the Supplemental Resolution authorizing such Series may specify the Debt Service Reserve Requirement, if any, for the Bonds of such Series.

DEC: The New York State Department of Environmental Conservation and any successor entity which may succeed to its rights and duties respecting the State Revolving Fund.

Defeasance Obligations: (A) any non-callable bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by the United States of America, including obligations of any agency thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America or (B) any other non-callable receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (A); provided, however, that, when used in connection with any Bond authorized to be issued by a Supplemental Resolution adopted on or after June 1, 2001, such term also means: (C) a non-callable obligation of the United States of America which has been stripped by the United States Department of Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Authority obtains Rating Confirmation with respect to the Bonds to be defeased); (D) the interest component of REFCORP bonds for which separate payment of principal and interest is made by request of the Federal Reserve Bank of New York in book-entry form; (E) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision (i) the interest on which is excludable from gross income under Section 103 of the Code, (ii) that, at the time an investment therein is made or such obligation is deposited in any fund or account established pursuant to the Resolution, is rated in the highest rating category of the Rating Agencies, (iii) that is not subject to redemption prior to maturity other than at the option of the holder thereof or either (1) has irrevocably been called for redemption or (2) as to which irrevocable instructions have been given to call such obligation on a stated future date and (iv) the timely payment of the principal or redemption price thereof and interest thereon is fully secured by a fund consisting only of cash or obligations described in clauses (A), (B), (C), (D), (E) or (F), which fund may be applied only to the payment of principal, interest and redemption premium, if any, on the obligation secured thereby; and (F) a non-callable note, bond, debenture, mortgage or other evidence of indebtedness that, at the time acquired, is (i) issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Farm Credit System or any other instrumentality of the United States of America and (ii) rated in the highest rating category of the Rating Agencies; provided, further, that the term "Defeasance Obligations" shall not mean any interest in a unit investment trust or a mutual fund.

Financial Guaranties: One or more of the following: (i) irrevocable, unconditional and unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or the

holding company of any such banking institution) have (at the time of issue of such letter of credit) a rating of Aa2 or better by Moody's Investors Service and CC or better by Standard & Poor's Ratings Services; or (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect issued by municipal bond insurers the obligations insured by which are eligible for a rating of Aa or better by Moody's Investors Service and CC or better by Standard & Poor's Ratings Services; in each case providing for the payment of sums for the payment of Principal Installments of an interest on Bonds in the manner provided in the Resolution; and providing further that any Financial Guaranty of the type described in (i) above must be drawn upon, on a date which is at least thirty (30) days prior to the expiration date of such Financial Guaranty, in an amount equal to the deficiency which would exist if the Financial Guaranty expired, unless a substitute Financial Guaranty is acquired prior to such expiration date as provided in a related Supplemental Resolution.

Fiscal Year: The twelve-month period commencing on July 1 of each year; provided, however, that the Authority, the Board and the City may agree on a different twelve-month period as the Fiscal Year and in such event the dates set forth in the Agreement, the Lease and the Resolution shall be adjusted accordingly.

Government Obligation: A direct obligation of the United States of America, an obligation the principal of, and interest on which are guaranteed as to full and timely payment by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America are pledged, an obligation of a federal agency guaranteed as to full and timely payment by the United States of America and approved by the Authority, and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of, the principal of or interest on, direct obligations of the United States of America.

Interest Rate Exchange Agreement: Any financial arrangement (i) that is entered into by the Authority with an entity that is a Counterparty at the time the arrangement is entered into; (ii) which provides that the Authority shall pay to such entity an amount based on the principal amount of a Series of Bonds, and that such entity shall pay to the Authority an amount based on the principal amount of such Series of Bonds, in each case computed in accordance with a formula set forth in such agreement, or that one shall pay to the other any net amount due under such arrangement; (iii) which has been designated in writing to the Trustee by an Authorized Representative of the Authority as an Interest Rate Exchange Agreement with respect to a Series of Bonds and (iv) which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on Bonds from gross income for the purposes of federal income taxation.

Investment Securities shall mean and include any of the following securities, if and to the extent the same are at the time legal investments by the Authority of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the Authority and in effect at the time of the making of such investment:

(i) direct obligations of, or obligations guaranteed as to principal and interest by, the State or direct obligations of any agency or public authority thereof, provided such obligations are rated, at the time of purchase, in one of the two highest rating categories by each Rating Agency then maintaining a rating on Outstanding Bonds;

(ii) (A) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by the United States of America, including obligations of any agency thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America or (B) any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (A) of this clause (ii);

(iii) obligations of any agency, subdivision, department, division or instrumentality of the United States of America; or obligations fully guaranteed as to interest and principal by any agency, subdivision, department, division or instrumentality of the United States of America;

(iv) banker's acceptances or certificates of deposit issued by a commercial bank (A) whose long-term debt obligations are rated by each Rating Agency then maintaining a rating on the Outstanding Bonds at least equal to the rating on Outstanding Bonds that are not insured or otherwise secured by a Credit Facility or a Special Credit Facility, (B) that has its principal place of business within the State and (C) that has capital and surplus of more than \$100,000,000;

(v) corporate securities, including commercial paper and fixed income obligations, which are, at the time of purchase, rated by each Rating Agency then maintaining a rating on Outstanding Bonds in its highest rating category for comparable types of obligations;

(vi) repurchase agreements collateralized by securities described in clauses (ii) or (iii) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated "investment grade" by each Rating Agency then maintaining a rating on Outstanding Bonds, provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five business days of such valuation, (4) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102% and (5) the repurchase agreement meets the guidelines then applicable to such investments of each Rating Agency then maintaining a rating on Outstanding Bonds;

(vii) investment agreements or guaranteed investment contracts with any financial institution whose senior long term debt obligations, or whose obligations under such an investment agreement or guaranteed investment contract, are guaranteed by a financial institution whose senior long term debt obligations, have a rating (at the time such agreement or contract is entered into) in one of the two highest rating categories for comparable types of obligations by each Rating Agency then maintaining a rating on the Bonds;

(viii) money market funds rated in the highest rating category for comparable types of obligations by each Rating Agency then maintaining a rating on the Bonds; and

(ix) municipal obligations, the payment of principal and redemption price, if any, and interest on which is irrevocably secured by obligations of the type referred to in clauses (i), (ii) or (iii) above and which obligations have been deposited in an escrow arrangement which is irrevocably pledged to the payment of such municipal obligations and which municipal obligations are rated in the highest rating category for comparable types of obligations by each Rating Agency then maintaining a rating on the Bonds.

Leased Property: The real and personal property and other rights therein leased by the City to the Board pursuant to Article II of the Lease.

Local Water Fund: The special trust fund by that name established by the Act in the custody of the Board into which all Revenues are required to be deposited promptly upon receipt thereof by the Board.

Minimum Monthly Balance: For each Series of Bonds Outstanding, the monthly amount calculated in accordance with Section 4.3(a) of the Agreement. See "Summary of Certain Documents – Summary of the Agreement – Minimum Monthly Balance" in this Appendix C.

O&M Reserve Fund Requirement: For each Fiscal Year, the amount equal to one-sixth (1/6) of the Operating Expenses as set forth in the Annual Budget.

Operating Expenses: All reasonable or necessary current expenses of maintaining, repairing, operating and managing the System net of governmental operating aid, including: all salaries; administrative, general, commercial, architectural, engineering, advertising, public notice, auditing, billing, collection, enforcement and legal expenses; insurance and surety bond premiums; consultants' fees; payments to pension, retirement, health and hospitalization funds; taxes; payments in lieu of taxes; costs of public hearings; ordinary and current rentals of equipment or other property; hydrant rentals; lease payments for real property or interests therein (excluding certain amounts paid by the Board to the City pursuant to the Lease); depository expenses; reasonable reserves for maintenance and repair and all other expenses necessary, incidental or convenient for the efficient operation of the System; but only to the extent properly attributable to the Board or the System and payable by the Board to the City pursuant to the Lease and, except for certain administrative expenses of the Board, payable by the Board to the City pursuant to the Lease.

Option Bonds: Bonds which by their terms may be tendered by and at the option of the owner thereof for payment by the Authority prior to the stated maturity thereof, or the maturates of which may be extended by and at the option of the owner thereof.

Outstanding: As of any date, all Bonds therefore or thereupon being authenticated and delivered under the Resolution except:

- (a) any Bonds canceled by the Trustee at or prior to such date;
- (b) any Bond (or portion thereof) for the payment or redemption of which there shall be set aside and held in trust under the Resolution either:
 - (i) moneys in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest,
 - (ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as are necessary to provide moneys (whether as principal or interest) in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest, or
 - (iii) any combination of (i) and (ii) above,

and, if such Bond or portion thereof is to be redeemed, for which notice of redemption has been given as provided in Article VI of the Resolution or provision satisfactory to the Trustee has been made for the giving of such notice;

(c) any Bond in lieu of or in substitution for which other Bonds have been authenticated and delivered; and

(d) any Bond deemed to have been paid as provided in Section 1201(b) of the Resolution.

Parity Bond Anticipation Notes: Bond Anticipation Notes the interest on which is payable from and secured by a pledge of, and a lien on, a parity with all other Bonds.

Permitted Encumbrances: When used with reference to the System, (i) any and all liens, encumbrances, security interests or other defects in or clouds on title existing on the Effective Date, (ii) the Lease, (iii) easements, rights of way and exceptions which do not materially impair the operation or maintenance of the Leased Property or the Revenues therefrom, (iv) mechanics', materialmen's, warehousemen's and other similar liens, as permitted by law and liens for taxes at the time not delinquent or being contested and (v) agreements for the sale and leaseback of elements of the System.

Principal Installment : As of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds (including (x) any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the "principal amount" with

respect to any Bonds which do not pay full current interest for all or any part of their term) (y) the Tender Option Price of any Option Bonds which may be tendered for purchase or payment prior to the stated maturity thereof in accordance with the terms of the Supplemental Resolution authorizing such Option Bonds, unless such amount is secured by a Credit Facility which is not in default and (z) the principal amount of any Parity Reimbursement Obligations of such Series due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date. "Principal Installment" does not include the principal of Parity Bond Anticipation Notes.

Project Financing Agreement: Any Project Financing Agreement to be entered into among the Authority, the City, DEC and the Corporation pursuant to the State Revolving Fund Act.

Projected Debt Service: For any Fiscal Year or part thereof means, as of any date of calculation and with respect to any Projected Series of Bonds, an amount, certified by the Authority to the Trustee and the Board, as provided in the Agreement, equal to the Debt Service estimated by the Authority to be payable during such Fiscal Year on such Projected Series.

Projected Series of Bonds: Any Series of Bonds described in an Authority Budget as anticipated to be issued in the Fiscal Year to which such Authority Budget relates.

Rate Consultant: The independent accountant or firm of independent accountants, or a management consultant or firm of management consultants, or independent engineer or firm of independent engineers, having, in any case, a recognized standing in the field of water and sewer system consulting selected by the Authority and satisfactory to the Board. The Rate Consultant may be the same firm as the Consulting Engineer.

Rating Agencies: Moody's Investors Service and Standard & Poor's Ratings Services and their respective successors and assigns.

Rating Confirmation: A written confirmation of each Rating Agency to the effect that the rating assigned to each of the Bonds rated by such Rating Agency will remain unchanged and will not be withdrawn, suspended or reduced as a consequence of some act or occurrence.

Redemption Price: When used with respect to a Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon either optional or mandatory redemption thereof pursuant to the Resolution.

Refundable Principal Installment: Any Principal Installment for any Series of Bonds which the Authority intends to pay with moneys which are not Revenues, provided that such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds and provided further that such Principal Installment shall be a Refundable Principal Installment only through the date of the Authority Budget adopted during the Fiscal Year immediately preceding the Fiscal Year in which such Principal Installment comes due unless the Authority has delivered to the Trustee a certificate of an Authorized Representative that it has made provision for the payment of such Principal Installment from a source other than Revenues.

Refunding Bond: Any Bond authenticated and delivered on original issuance pursuant to Section 206 or Section 207 of the Resolution for the purpose of refunding any Outstanding Bonds or thereafter authenticated and delivered in lieu of or substitution for such Bond pursuant to the Resolution.

Reimbursement Obligation: The obligation of the Authority described in the Resolution to directly reimburse the issuer of a Credit Facility for amounts paid by such issuer thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

Required Deposits: For any Fiscal Year, amounts, if any, payable into the Authority Expense Fund, the Debt Service Reserve Fund and the Subordinated Indebtedness Fund but only to the extent such payments are required to be made from Revenues pursuant to the Resolution.

Revenues shall mean (a) all the rents, fees, charges, payments and other income and receipts derived by the Board from users of the System, together with all operating aid therefor from any governmental entity, federal, State or local, to the Board, (b) investment proceeds and proceeds of insurance received by the Board (other than the proceeds of insurance with respect to the damage or destruction of all or any portion of the System), (c) Subsidy Payments derived by the Authority, (d) amounts derived by the Authority from a Counterparty pursuant to an Interest Rate Exchange Agreement, and (e) investment proceeds derived from amounts on deposit in the Funds and Accounts established hereunder that are deposited or retained in the Revenue Fund or the Local Water Fund, and but shall not include (w) amounts required to be refunded because of billing or payment errors, (x) any amount attributable to any of the foregoing sources described in clause (a) which (i) is expressly excluded by the Agreement or the Lease, or (ii) is derived from a use of the System not directly related to the supply, treatment and distribution of water to the consumers thereof or the collection, disposal or treatment of sewage, (y) any amount from any governmental entity, federal, State or local, in aid of or for or with respect to the Costs of Water Projects, other than Subsidy Payments, or (z)(i) fines (excluding interest on late payments which shall constitute Revenues), (ii) amounts from the use of water to generate electricity, (iii) amounts from the State as a result of mandatory water discharges from reservoirs or (iv) amounts from the granting of easements, licenses, rights-of-way or other interests in the real property constituting a part of the System.

Special Credit Facility: With respect to any Series of Bonds or portion thereof, a Credit Facility (a) which provides funds for (i) the direct payment of the Principal Installments of and interest on such Bonds when due or (ii) the payment of the Principal Installments of and interest on such Bonds in the event amounts otherwise pledged to the payment thereof are not available when due or (iii) the payment of the Tender Option Price of any Option Bond which may be tendered to the Authority for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond (in any case, regardless of whether such Credit Facility provides funds for any other purpose) and (b) which (i) requires the Authority to directly reimburse the issuer of such Credit Facility for amounts paid thereunder and (ii) provides that such obligation is a Parity Reimbursement Obligation.

State: The State of New York.

State Revolving Fund: The New York State Water Pollution Control Revolving Fund established pursuant to the State Revolving Fund Act.

State Revolving Fund Act: Chapter 565 of the laws of New York of 1989, as amended.

Subordinated Indebtedness: Any bond, note or other evidence issued by the Authority in furtherance of its corporate purposes under the Act and payable from the subordinated Indebtedness Fund.

Subsidy Payments shall mean amounts payable to the Authority from any governmental entity, federal, State or local, in connection with Bonds of the Authority.

Supplemental Resolution: A resolution of the Authority authorizing the issuance of a Series of Bonds or otherwise amending or supplementing the Resolution.

System: The Water System and the Sewerage System, collectively, as such terms are defined in the Act.

Tender Option Price: With respect to any Option Bond tendered for purchase or payment, an amount equal to the principal amount thereof plus interest accrued and unpaid thereon from the immediately preceding Bond Payment Date to the date of such tender.

Trustee: The trustee appointed by the Authority pursuant to the Resolution, and any successors thereto.

Variable Rate Bond: As of any date of determination, any Bond on which the interest rate borne thereby may vary during any part of its remaining term.

Water Project: Any sewerage facility, water facility or water and sewerage facility, as the case may be, including the planning, development, financing or construction thereof.

Summary of Certain Documents

The following are brief summaries of certain provisions of the Agreement, the Lease, the Authority General Resolution. These summaries do not purport to be complete and are subject in all respects to the provisions of, and are qualified in their entirety by, reference to the respective documents to which they relate.

Summary of the Agreement

Financing of Water Projects. The Authority agrees to use its best efforts to finance all or a part of the Cost of all Water Projects described in Appendix A to the Agreement. In consideration for the Authority's issuance of the Bonds, the Board gives, grants, conveys and transfers to the Authority all of its right, title and interest in the Revenues, including without limitation, all of its rights to collect and receive said Revenues subject only to provisions of the Act, the Agreement and the Resolution permitting the application of said Revenues to the purposes therein set forth. The Board itself incurs no indebtedness under the terms of the Agreement, Lease, Resolution or any other document executed in connection therewith. (*Sections 2.1, 2.2 and 2.4*)

Transfer of Funds. The Authority shall deposit the proceeds of each Series of Bonds with the Trustee in accordance with the provisions of the Resolution and the Supplemental Resolution authorizing such Series; provided, however, that the portion of the proceeds designated to pay the Costs of any Water Project shall be held only in the Construction Fund established pursuant to the Resolution.

The Authority shall authorize payment of such Costs in the manner set forth in the Resolution once evidence thereof is provided in a Certificate signed by an Authorized Representative of the Board or City, as the case may be. Neither the Authority nor the Trustee shall be required to provide funds to pay the Costs of Water Projects from any source other than the Construction Fund, and neither the Authority nor the Trustee shall pay to the City from such Fund any amount in excess of that set aside for the purposes thereof, or for the Projects listed in Appendix A to the Agreement. (*Sections 3.1 and 3.2*)

Local Water Fund. The Board shall deposit all Revenues, as promptly as practicable after receipt, into the Local Water Fund. There shall also be deposited in the Local Water Fund all amounts received by the Board from the Trustee pursuant to the Resolution. (*Section 4.1*)

Establishment of Certain Funds and Application of Revenues in Local Water Fund. The Board shall establish two special funds (in addition to the Local Water Fund) to be held by the Board at a Depository: the Board Expense Fund and the Operation and Maintenance Reserve Fund, with the General Account therein. The Board shall hold such funds as trust funds and the amounts on deposit shall only be applied for the purposes provided in the Agreement.

Beginning on the first day of each month in each Fiscal Year, the Board is required to apply the Revenues in the Local Water Fund, *first*, to the Trustee for deposit in the Revenue Fund until the amount on deposit in the Revenue Fund equals the Minimum Monthly Balance for such month and the Trustee shall have received the amounts, if any, required to be deposited in the Authority Expense Fund, the Debt Service Reserve Fund and the Subordinated Indebtedness Fund for such month. Thereafter, in such month from the balance remaining in the Local Water Fund, the Board is required, after making provision for Board Expenses, to pay to the City 1/12th of the operating expenses for such Fiscal Year. After making such payments, any amounts remaining in the Local Water Fund in each month are applied daily (i) to satisfy the Cash Flow Requirement (if the required payments to the City for Operating Expenses have been made), (ii) to satisfy required payments to the City for Operating Expenses (if the Cash Flow Requirement has been satisfied) or (iii) proportionately, to the Trustee for deposit in the Revenue Fund and to the City for the payment of Operating Expenses, until the total of all amounts deposited in the Revenue Fund during such Fiscal Year equals the Cash Flow Requirement and

all Operating Expenses required to be paid shall have been paid. Thereafter, as long as the amount on deposit in the Revenue Fund in each month is equal to the Minimum Monthly Balance and the Cash Flow Requirement continues to be met, all such amounts in the Local Water Fund shall be paid as follows: *first*, to the Authority until the total of the amounts so paid equals the principal of and interest on any bonds, notes or other obligations of the Authority (other than Bonds, Bond Anticipation Notes, and Subordinated Indebtedness) payable within the then current Fiscal Year, together with all other amounts necessary to make the required deposits to the reserve and other funds and amounts established for such bonds, notes or other obligations; *second*, to the City until the amounts so paid are equal to the rental payment for such Fiscal Year and the unsatisfied balance, if any, of the rental payment for any prior Fiscal Year; and, *third*, to the Operation and Maintenance Reserve Fund, until the amount therein on deposit is equal to the O&M Reserve Requirement for such Fiscal Year. Any amounts remaining in the Local Water Fund on the last day of each Fiscal Year shall be paid to the General Account in the Operation and Maintenance Reserve Fund. (Section 4.2)

Minimum Monthly Balance. The Minimum Monthly Balance shall be calculated as of the first day of the month and shall be equal to the sum of:

(i) For each Series of Bonds which is Outstanding during the current Fiscal Year, an amount equal to the product obtained by multiplying (a) the difference between (1) the amount of interest due or projected to be due on the next succeeding Bond Payment Date for such Series and (2) the amount, if any, held in the applicable subaccount for such Series in the Capitalized Interest Account in the Debt Service Fund by (b) a fraction, the numerator of which is the number of full months since the end of the month preceding the last Bond Payment Date for such Series (or, with respect to the first Bond Payment Date for such Series, the number of full months since the last day of the month preceding the date of issuance of such Series) and the denominator of which is the number of months between Bond Payment Dates minus one (or, with respect to the first Bond Payment Date for a Series, the number of months between the last day of the month preceding the date of issuance of such Series and the first Bond Payment Date minus one); provided, however, that if this formula would produce (A) a fraction greater than one, then the fraction shall be equal to one, or (B) a denominator less than one, then the fraction shall be equal to one; plus

(ii) For each Series of Bonds which is Outstanding during the current Fiscal Year, an amount equal to the Principal Installment due or projected to be due on the next succeeding Bond Payment Date for such Series which falls within twelve months or less on which a Principal Installment is due, multiplied by a fraction, the numerator of which is the number of full months since the last day of the month preceding the last Bond Payment Date on which a Principal Installment was due (or, with respect to the first such Bond Payment Date, twelve minus the number of full months to the first Bond Payment Date on which a Principal Installment is due), and the denominator of which is eleven; provided, however, that if this formula would produce a fraction greater than one, then the fraction shall be equal to one. (Section 4.3)

Deposits to Operation and Maintenance Reserve Fund. There shall be deposited to the Operation and Maintenance Reserve Fund in each Fiscal Year from the sources described below the amount required, if any, so that the amounts on deposit therein satisfy the O&M Reserve Fund Requirement for the ensuing Fiscal Year.

Deposits to the Operation and Maintenance Reserve Fund may be made from the proceeds of the sale of Bonds of the Authority, from the Local Water Fund, or from any other moneys lawfully available therefor, subject to the following limitations:

(i) The maximum deposit to the Operation and Maintenance Reserve Fund from the proceeds of Bonds of the Authority, as of any time of calculation, may not exceed the O&M Reserve Fund Requirement then in effect, reduced by the cumulative sum of prior deposits thereto from proceeds of Bonds of the Authority.

(ii) Deposits to the Operation and Maintenance Reserve Fund from the Local Water Fund shall be subject to the priorities established in Section 4.2 of the Agreement.

(iii) If there shall be a deficit in the Operation and Maintenance Reserve Fund on May 1 of any Fiscal Year, and if as of such May 1 the Board does not project that available Revenues will at least equal the O&M Reserve Requirement for such Fiscal Year by June 30 of such Fiscal Year, then the Board shall include in its Annual Budget for the ensuing Fiscal Year an amount sufficient, together with other amounts available therefor, to at least equal the O&M Reserve Fund Requirement for the ensuing Fiscal Year.

If on July 1 of any Fiscal Year the amount on deposit in the Operation and Maintenance Reserve Fund is less than the O&M Reserve Fund Requirement, such deficit shall (subject to paragraph (i) above) be made up from the proceeds of the sale of Bonds issued during such Fiscal Year; provided, however, if, prior to May 1 of such Fiscal Year such deficit has not been made up from Bond proceeds, the Board shall include the amount of such deficit in its Annual Budget for the ensuing Fiscal Year and the amounts necessary to restore such deficit shall be deposited in the Operation and Maintenance Reserve Fund.

Amounts required to be deposited in the General Account shall be held separate and apart from other amounts held in the Operation and Maintenance Reserve Fund and applied as described below. *(Section 4.4)*

Application of Moneys in the Operation and Maintenance Reserve Fund. If on the first day of any month the Board has not paid to the City an amount equal to the product of (i) the amount required to be paid for Operating Expenses pursuant to Section 8.1 of the Lease, multiplied by (ii) a fraction the numerator of which is the number of months which have commenced during such Fiscal Year, and the denominator of which is 12, the Board shall withdraw from the Operation and Maintenance Reserve Fund and pay to the City, on demand, an amount equal to 1/12 of the amount so required to be paid pursuant to Section 8.1 of the Lease, or the entire balance in such Fund if less than sufficient. Amounts on deposit in the General Account may be applied (i) to purposes provided for in Section 4.2, (ii) to the payment of Bonds in accordance with Article XII of the Resolution or (iii) to the Costs of Water Projects, but shall be retained therein to the extent required by the Annual Budget. *(Section 4.5)*

Application of Moneys in Board Expense Fund. Amounts on deposit in the Board Expense Fund shall be applied by the Board solely for the purposes of paying expenses of the Board, in accordance with the Annual Budget. *(Section 4.6)*

Application of Revenues After Default. The Board has covenanted that if an “event of default” (as defined in the Resolution) shall occur, the Board shall pay or cause to be paid to the Trustee, upon its request, all moneys and securities then held by the Board in the Local Water Fund and thereafter the Revenues as promptly as practicable after receipt. *(Section 4.7)*

Amounts Remaining. Any amounts received or held by the Authority or the Trustee pursuant to the Resolution, any similar document or the Agreement after all Bonds and other evidences of indebtedness have been paid in full or are no longer Outstanding and after payment of all other obligations and expenses of the Authority, or provision for payment thereof has been made, shall be paid to the City.

Any payments by the City to the Water Board pursuant to Section 1045-h(3) of the Act shall be confined to consideration for the sale of goods or the rendering of services by the Water Board to the City pursuant to the Lease or the Agreement as contemplated by the Act. *(Section 4.8)*

Rate Covenant. The Board has covenanted and agreed to establish, fix and revise fees, rates or other charges for the use of or services furnished by the System which, together with any other available funds, are adequate to provide for (i) the timely payment of the Principal Installments of and interest on all Bonds and the principal of and interest on any other indebtedness of the Authority payable from Revenues, (ii) the proper operation and maintenance of the System, (iii) all other payments required for the System not otherwise provided for and (iv) all other payments required pursuant to the Agreement and the Lease. Without intending to limit the generality of the foregoing, the Board has also covenanted to establish and collect rates, fees and charges sufficient in each Fiscal Year so that Revenues collected in

such Fiscal Year will be at least equal to the sum of (i) 115% of estimated Aggregate Debt Service and Projected Debt Service payable in such Fiscal Year (excluding any Refundable Principal Installment if payable from funds held in trust therefor and assuming with respect to Variable Rate Bonds that the effective rate of interest is that which the Authority determines so long as such rate is not less than the rate such Bonds bear at the time Aggregate Debt Service is determined), (ii) 100% of the Operating Expenses and Authority Expenses payable in such Fiscal Year and (iii) 100% of the amount necessary to pay the other Required Deposits for such Fiscal Year. However, a failure to generate such Revenues does not constitute an “event of default” if the Board takes timely action to correct any such deficit. The Board shall review, at least annually, such rates, fees and charges to determine whether such rates, fees and charges are, or will be, sufficient to meet the requirements thereof and shall promptly take action to cure or avoid any deficiency. Except to the extent required by Section 1045-j of the Act, as in effect on July 24, 1984, with regard to the requirement that tax exempt organizations be charged for service provided by the System or by existing agreements (including any successor agreements with Jamaica Water), the Board will not furnish or supply any product, use or service of the System free of charge or at a nominal charge. (Section 6.1)

Consulting Engineer and Rate Consultant. The Authority shall employ a Consulting Engineer and a Rate Consultant whose duties, respectively, shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineer and the Rate Consultant under the Agreement and the Resolution. If so determined by the Authority, the same person or firm may perform the duties and functions of the Consulting Engineer and the Rate Consultant.

In each Fiscal Year, the Consulting Engineer and the Rate Consultant shall make an examination of, and shall report to the Authority, the Board, the City and the Trustee, on the properties and operations of the System. The report of the Rate Consultant shall set forth among other findings, the Rate Consultant’s recommendation as to any necessary or advisable revisions of rates, fees and charges for the ensuing Fiscal Year and such other advice and recommendation as it may deem desirable. The Consulting Engineer’s report shall set forth its findings as to whether the System has been maintained in good repair and sound operating condition, and its estimate of the amount, if any, required to be expended to place such properties in such condition and the details of such expenditures and the approximate time required therefor. The City covenants that if any such report of the Consulting Engineer shall set forth that the properties of the System have not been maintained in good repair and sound operating condition, it will promptly restore the properties to good repair and sound operating condition with all expedition practicable. (Section 6.2)

Covenant to Operate and Maintain System. The City has covenanted that it shall, at all times:

(a) in accordance with the advice and recommendations of the Consulting Engineer, operate the System properly and in a sound and economical manner and maintain, preserve, and keep the same preserved and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted, regardless of any failure on the part of the Board to make the payments to the City required by Section 8.1 of the Lease; provided, however, that nothing contained in the Agreement shall require the City to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the System if there shall be filed with the Board, the Authority and the Trustee (i) a certificate of the Commissioner acting as the Authorized Representative of the City stating that in the opinion of the City abandonment of operation of such part of the System will not adversely affect the operation of the System or the amount of Revenues derived therefrom and is not prejudicial to the interests of the Board, the Authority or the Bondholders and (ii) a Certificate of the Consulting Engineer concurring with such statement;

(b) enforce the rules and regulations governing the operation, use and services of the System established from time to time by the Board or the City;

(c) observe and perform all of the terms and conditions contained in the Act, and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body having competent jurisdiction of the City or the System; provided, however, that the failure of the City to comply with the covenant contained in this subsection (c) for any period shall not constitute a default on its part so long as the City (i) is taking reasonable and timely steps to permit compliance and (ii) the City shall have delivered to the Board and to the Authority a Certificate of the Consulting Engineer which (1) sets forth in reasonable detail the facts and circumstances attendant to such non-compliance, (2) sets forth the steps being taken by the City to permit compliance, (3) sets forth the estimated date on which the City will be in compliance and (4) states that in the opinion of the Consulting Engineer such non-compliance during the period described will not adversely affect the operation of the System or the amount of Revenues to be derived therefrom; and

(d) not create or suffer to be created any lien or charge upon the System or any part thereof except for Permitted Encumbrances. (*Section 6.3*)

Annual Budget. On May 1 of each year (or on such later date as the Authority, the Board and the City may agree) the Authority shall deliver to the Board a certified copy of the Authority Budget for the ensuing Fiscal Year showing the Cash Flow Requirement for such Fiscal Year. Based upon the information contained in (a) the Authority Budget, (b) the City's certification pursuant to Section 8.3 of the Lease and (c) the Certificate of the Consulting Engineer delivered to the Board pursuant to Section 8.3 of the Lease (collectively, the "Budget Documents"), the Board shall prepare the Annual Budget for the ensuing Fiscal Year. In addition to the information contained in the Budget Documents the Board shall also make provision in the Annual Budget for Board Expenses for the ensuing Fiscal Year, for the amount, if any, required to be deposited in the Operation and Maintenance Reserve Fund in accordance with Section 4.4 of the Agreement, and for the application of the amounts in the General Account therein. Thereafter, but in no event later than 15 days after the date of publication of the Executive Budget of the City, the Board shall adopt such Annual Budget. Promptly after adoption of the Annual Budget, and in no event later than June 10 (or such other date as the Authority, the Board and the City may agree) of each year, the Board shall establish the rates, fees and charges for the use of the System for the ensuing Fiscal Year. The Board may from time to time, either before or after commencement of the Fiscal Year to which it relates, amend the Annual Budget, but (except for its own expenses) only in accordance with and after receipt of amended Budget Documents. If as of the first day of any Fiscal Year an Annual Budget has not been adopted, the Annual Budget for the immediately preceding Fiscal Year shall be the Annual Budget for such Fiscal Year until a new Annual Budget is adopted. (*Section 6.4*)

Tax Exemption. The City, the Authority and the Board have covenanted that so long as any Bonds shall be Outstanding, no one will take any action, nor fail to take any action, which, if taken or not taken, as the case may be, would adversely affect the tax-exempt status of the interest payable on the Bonds then Outstanding, the interest on which is excluded from gross income under the Internal Revenue Code of 1986. (*Section 6.5(b)*)

Discontinuance of Service. The Board has covenanted to enforce or cause the City to enforce the rules and regulations providing for discontinuance of, or disconnection from, the supply of water or the provision of sewer service, or both, as the case may be, for non-payment of fees, rents, rates or other charges imposed by the Board, provided that such discontinuance or disconnection shall not be carried out except in the manner and upon the notice as is required of a waterworks corporation pursuant to Sections 89(b)(3)(a)-(c) and 116 of the Public Service Law of the State. (*Section 6.7*)

Covenant of City as to Rates and Charges. The City has covenanted that, upon the issuance of the Bonds by the Authority, the City will not thereafter levy user fees, rents and other charges with respect to the System until all Bonds are paid or are no longer Outstanding pursuant to the terms of the Resolution; provided, however, that the City may levy *ad valorem* taxes to pay the costs and expenses of the System or to pay the principal of and interest on any general obligation bonds of the City issued to finance the System or any part thereof. (*Section 6.9*)

Books and Records. Each of the Authority and the Board shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to their corporate purposes under the Act. In accordance with Section 1045-y of the Act, the Authority and the Board shall annually submit to the Mayor, the Comptroller and the Director of Management and Budget of the City a detailed report concerning their activities for the Fiscal Year. In addition, the Authority and the Board shall submit to the Mayor, the Comptroller and the Director of Management and Budget of the City audited annual financial statements of the Authority and the Board together with a report thereon of an accountant satisfactory to the Board. *(Section 6.11)*

Liens. Until the Bonds or other evidences of indebtedness issued by the Authority for its purposes under the Act have been paid in full or provision has been made therefor in accordance with the Resolution or similar document, the Agreement provides that the Board shall not create, and, to the extent it has the power to do so, shall not permit to be created, any lien upon or pledge of the Revenues except the lien and pledge thereon created by the Act. *(Section 6.12)*

Security Interests. Except to the extent provided in the Act, neither the Board nor the Authority may grant any Bondholder any security interest in any of the assets or Properties of the Board. *(Section 6.13)*

Financing through State Revolving Fund. In connection with the financing of Water Projects by the Authority with funds provided from the State Revolving Fund, the City may enter into a Project Financing Agreement or Agreements among DEC, the Corporation and the Authority and make in any such agreement certain representations, warranties, covenants and agreements. *(Section 6.16)*

Agreement of the State. Under the provisions of the Agreement, the parties pledge and agree, for and on behalf of the State as provided in the Act, that the State will not alter or limit the rights vested by the Act in the Authority or the Board to fulfill the terms of any agreement made with or for the benefit of the Bondholders, or in any way impair the rights and remedies of Bondholders, until the Bonds, together with the interest thereon, interest on any unpaid installment of interest, and all costs and expenses incurred in any action or proceeding by or on behalf of such holders, are fully met and discharged. *(Section 7.1)*

Events of Default and Remedies. An “event of default” or a “default” means any one of the following events: (i) failure by the Board to pay the Authority those amounts required under the Agreement; (ii) failure of the City or the Board to observe any covenant, term or condition of the Agreement (other than the payments the Board shall make to the Authority) and such failure shall have continued for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the City or the Board, or both, by the Authority unless the Authority shall agree in writing to extend such time prior to its expiration, provided such extension shall not be unreasonably withheld if the City or the Board has instituted and is diligently pursuing corrective action which cannot be completed within the applicable period; (iii) the Authority shall file a petition, or otherwise seek relief, under any federal or State bankruptcy or similar law; and (iv) the terms, conditions and security provided under the Agreement and the Resolution or the respective provisions of the Act pursuant to which the Resolution has been adopted or the Bonds have been issued or entered into (including, without limitation, the provisions under which the lien upon the Revenues has been created pursuant to the Agreement and the Resolution and the provisions establishing the powers and obligations of the Board and the relationship of the Authority to the Board and the City) shall be materially and adversely limited, altered or impaired by any legislative action or any final judgment. *(Section 8.1)*

Whenever an event of default shall have occurred and be continuing, the Authority and the Trustee may take whatever legal action may appear necessary or desirable to: (i) collect the payments then due and as they thereafter become due and (ii) so long as any Bonds are Outstanding, enforce performance and observance of any obligation or covenant of the City or the Board under the Agreement. In addition, if the Board defaults in making the payments to the Authority required under the Agreement as a result of its failure to impose sufficient fees, rates, rents or other charges, the Authority may petition for the appointment of a receiver to administer the affairs of the Board in order to achieve Revenues

sufficient to make such payments by establishing fees, rates, rents or other charges at least sufficient therefor. The remedies conferred upon or reserved to the Authority in respect of any event of default are not exclusive of other available remedies, but shall be in addition to every other remedy given under the Agreement or existing at law or in equity or by statute. (*Sections 8.2 and 8.3*)

Termination. The Agreement shall terminate and the covenants and other obligations contained therein shall be discharged and satisfied, when (i) payment of all indebtedness of the Authority has been made or provided for in accordance with the Resolution or similar document securing such indebtedness and (ii) either all payments required thereunder have been made in full, or provision for such payments satisfactory to the Authority has been made, or the City pays or assumes all liabilities, obligations, duties, rights and powers of the Authority under the Agreement. (*Section 9.1*)

Amendments. The parties to the Agreement may enter into any amendment, change or modification of the Agreement (if in writing, signed by each of the parties and consented to in writing by the Trustee if required by the Resolution) including, without limitation, amendments to Appendix A to the Agreement; provided that the parties shall enter into no such amendment, change or modification which materially adversely affects the rights of the holders of any Bonds by modifying or revoking certain enumerated provisions of the Agreement without first complying with the applicable provisions of the Resolution. (*Section 10.1*)

Conflicts. The Agreement provides that its provisions shall not change or in any manner alter the terms of the Resolution, or the security, rights or remedies of the Trustee or the Bondholders. In the event any provision of the Agreement conflicts at any time, or in any manner, with the provisions of the Resolution or any Bond, the provisions of the Resolution or Bond shall be controlling and conflicting provisions of the Agreement shall be disregarded. (*Section 12.1*)

Summary of the Lease

Term of Lease and Demise of Leased Property. The City has leased the Leased Property to the Board for the term of the Lease (the "Lease Term"). The Lease Term commenced on the Effective Date (July 1, 1985) and continues until the later of the 40th anniversary of the Effective Date or the date on which all bonds, notes or other obligations of the Authority are paid in full or provision for such payment is made pursuant to the resolution, trust indenture or other instrument under which such bonds, notes or other obligations are issued. During the Lease Term the Board may use the Leased Property only for its corporate purposes and upon the terms and conditions contained in the Lease.

The Leased Property includes (whether now in use or hereafter acquired, and whether or not located within the boundaries of the City) all of the City's right, title and interest in: (i) the City's sewerage system, including but not limited to all plants, structures, equipment and other real and personal property or rights therein acquired, rehabilitated or constructed (including all work in progress as soon as commenced) and used or to be used for the purpose of collecting, treating, pumping, neutralizing, storing and disposing of sewage, including, but not limited to, main, collecting, outlet or other sewers, pumping stations, groundwater recharge basins, backflow prevention devices, sludge dewatering facilities, vessels, barges, clarifiers, filters and phosphorous removal equipment, vehicles and other property used in connection with the sewer system; (ii) the City's water system, including but not limited to all plants, structures and other real and personal property or rights therein, acquired, rehabilitated or constructed (including all work in progress as soon as commenced) and used or to be used for the purpose of supplying, distributing, accumulating or treating water, including, but not limited to, reservoirs, basins, dams, canals, aqueducts, pipelines, mains, pumping stations, water distribution systems, intake systems, water-works, sources of water supply, purification or filtration plants, water meters and rights of flowage or diversion, vehicles and other property used in connection with the water system; and (iii) any other materials, supplies, plans and property contained in the above-mentioned plants and structures incidental to, or necessary or useful and convenient for, the operation of such facilities; provided, however, that the Leased Property shall not include the City's right, title and interest in the following: (i) any property or rights of the City the conveyance of which pursuant to the Lease

would cause a reversion to or in favor of, or permit a reentry by or in favor of, any third party; (ii) all mines and minerals whatsoever (but not including surface or subsurface waters) now or hereafter found and discovered, crops and timber, on or under the lands to be conveyed pursuant to the Lease; with power and authority for the City to perform certain mineral extraction and agricultural/timber activities; provided, however, that the City shall not undertake any such activities which interfere with the operation, maintenance or collection of Revenues of the System. *(Section 2.1)*

Right of City to Enter Leased Property. The City retains the right to enter upon any portion of the Leased Property, to use any property not constituting a part thereof which is located in, across or upon the Leased Property or for any purpose unless, in the reasonable judgment of the Board, such entry or use would adversely affect the collection of Revenues. *(Section 2.2)*

Substitution of Board for City. Where necessary or desirable and to the extent permitted by law, the City and the Board agree to use their best efforts to substitute the Board for the City with respect to any application or proceedings filed or commenced in relation to the Leased Property with the various State and federal regulatory bodies having jurisdiction. *(Section 2.5)*

Indemnification. The City agrees, to the extent permitted by law and subject to certain conditions, to hold the Board harmless from any and all liability, loss or damage from or in connection with any act the Board does or omits in the exercise of its powers if taken or omitted in good faith and in pursuance of its corporate purposes. *(Sections 3.1, 3.2 and 7.2)*

Operation and Maintenance of the Leased Property. The City shall administer and operate the Leased Property, maintain the Leased Property in good and safe order and condition and make all repairs therein. The City's duty to "maintain" and "repair" shall include all necessary repairs, replacements, renewals, alterations and additions, whether structural, non-structural, ordinary or extraordinary and its duty to "administer" shall include, without limitation, the enforcement of regulations of the Board and the City relating to the use of the System. However, the Lease shall not impose any obligation or liability upon the City for the administration, operation, maintenance and repair of the System not previously imposed upon it in connection with its prior operation and maintenance of the System. Both the Board and the City shall use all reasonable care to prevent the occurrence of waste, damage or injury to the Leased Property. The System shall be used and operated and maintained in accordance with all applicable laws, rules and regulations. *(Sections 4.1, 4.2 and 4.3)*

Construction and Acquisition. The Board authorizes the City to perform the construction and effectuation of any Water Project specified in the Agreement and the City may incur Costs in connection therewith. The City may acquire all real and personal property, or any interest therein, necessary or useful for the construction or effectuation of a Water Project; provided that all such property or interest acquired by the City through the exercise of the power of eminent domain shall be taken in the name of the City. *(Sections 5.1, 5.2 and 5.3)*

Billing and the Levy of Water and Sewer Charges. The City has agreed to provide billing services to the Board. Such services include but are not limited to: (i) notification to users of the System of the water and sewer charges levied by the Board, (ii) collection of such charges (including the City's use of its power of enforcement and collection of unpaid taxes under the laws of the State to enforce and collect any delinquent water and sewer charges from the persons and property liable therefor) and (iii) maintenance of the books, records and accounts of the billing systems. *(Sections 6.1 and 6.2)*

Late Payments. All late payments of water and sewer charges are the property of the Board and shall be collected by the City on behalf of the Board. Notwithstanding the foregoing, the Board has assigned to the City all of its rights and interest in and to all outstanding charges levied and uncollected on all properties at the time title thereto is vested in the City pursuant to *in rem* proceedings in consideration for the City's payment to the Board, in each Fiscal Year after the Effective Date, of an amount equal to 2% of such outstanding charges (unless, during the Lease Term, the City and the Board mutually agree on a different procedure for allocating such outstanding charges). *(Section 6.3)*

Discontinuance of Billing Services. If either the City or the Board no longer desires that the City provide the Board with billing services, the party desiring termination shall give written notice of such fact to the other party at least two years prior to the termination. Notwithstanding such termination of billing services, Section 6.2 of the Lease shall remain in full force and effect. *(Section 6.4)*

Legal Services. The Board has hired the City's Law Department to provide it with legal services. However, the Board may hire a different attorney or firm of attorneys to provide it with legal services. If the Board retains counsel to defend a claim against it without the prior approval of the Corporation Counsel of the City (which approval shall not be unreasonably withheld), the Board shall not be entitled to the indemnification from the City provided in Article III of the Lease with respect to such claim, unless the City elects in writing to provide such indemnification. *(Sections 7.1 and 7.2)*

Payments of Costs by the Board. The Board has agreed to pay to the City amounts sufficient to: (i) pay the cost of administration, maintenance, repair and operation of the Leased Property, including overhead costs incurred by the City attributable to the Leased Property (but less the amount of any governmental operating aid received or receivable within the current Fiscal Year with respect to the System), the cost of materials and supplies, and the amount of any judgment or settlement paid by the City arising out of a tort claim (but only if the costs of such claim are not otherwise reimbursed, the City's liability for such claim is related to Construction of a Water Project or operation or maintenance of the System and the costs of such claims do not exceed for any Fiscal Year 5% of the aggregate revenues shown on the Board's last year-end audited financial statements); (ii) reimburse the City for capital Costs incurred by the City in the Construction of Water Projects (if requested by the City and not otherwise reimbursed) including, without limitation, the payment of any judgment or settlement arising out of a contract claim related to the Construction of any Water Project; (iii) pay the cost of billing and collection services provided by the City; (iv) pay the cost of legal services provided by the City; and (v) reimburse the City for the compensation, or the costs of the services, of any City officers and employees provided on a full-time or part-time basis to the Board. *(Section 8.1)*

Base Rental Payments. In addition, the Board shall pay the City a rental payment for the System, but only to the extent requested by the City, and not to exceed the greater of (i) the principal and interest payable on general obligation bonds issued by the City for water and sewer purposes and certified by the City to be paid within such Fiscal Year, or (ii) 15% of the amount of principal and interest payable on the Bonds of the Authority and certified by the Authority to be paid within such Fiscal Year. *(Section 8.2)*

Method of Payment. The City shall certify within five business days after publication of the City's Executive Budget for the ensuing Fiscal Year the (i) amount which the City reasonably anticipates it will expend in connection with the costs described in Section 8.2 of the Lease and (ii) the amount of the payments described in Section 8.1 of the Lease; provided that, prior to the Board's payment to the City the Board shall have received, in addition to such certification by the City, a certificate of the Consulting Engineer to the effect that such amounts certified by the City for such payments and costs are reasonable and appropriate. Upon the Board's payment of all such amounts so certified or requested and any other payments required under the Act, or, after provisions for their payment have been made, the Board shall pay to the City, as Additional Rent in each Fiscal Year, any surplus of funds received. *(Section 8.3)*

Disposition of Property. The Board agrees that it will not sell, lease, sublease, assign, transfer, encumber (other than Permitted Encumbrances) or otherwise dispose of any part of the Leased Property, or any other real property or personal property which may be acquired by the Board, or its interest in the Lease, without the prior written approval of the City.

The City will not sell, transfer or otherwise dispose of real property or personal property included in the Leased Property without the Board's written consent. In the case of personal property, the value of which is less than \$1 million per unit (or of greater value if the Board designates), the Board will adopt rules and procedures for the expedited disposition thereof. Upon the City's request to dispose of any real property or personal property valued in excess of \$1 million, the Board will give such consent only upon receipt of a certificate signed by the Consulting Engineer to the effect that such real or personal property

may be disposed of without materially adversely affecting the Revenues of the System or impairing the ability of the Board to make any payments required by the Lease or the Agreement or any other agreement to which it may be a party or be bound. The City may also, with the prior written consent of the Board, grant interests in the Leased Property which, in the reasonable judgment of the Board, do not interfere with the operation and maintenance of the System and the collection of the Revenues from the System. (*Section 11.1*)

Encumbrances. The Board may not encumber the Leased Property without the prior written approval of the City. The City may grant temporary licenses for use of the Leased Property which do not interfere with the operation and maintenance of the System or the collection of Revenues therefrom. (*Section 11.3*)

Summary of the First Resolution

Terms used in this Summary of the Resolution shall have the meanings ascribed thereto in "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Glossary".

Pledge of Revenues and Funds. The Authority pledges for the payment of the Principal Installments or Redemption Price of and any interest on the Bonds, in accordance with their terms and the provisions of the Resolution: (i) all Revenues, (ii) all moneys or securities in any of the Funds and Accounts created under the Resolution, except that moneys or securities on deposit in a Special Account are pledged only to the Series of Bonds to which such Account relates and moneys or securities on deposit in the Common Account are pledged only to the Bonds for which a Special Account has not been established pursuant to the Resolution, and (iii) all other moneys and securities to be received, held or set aside by the Authority or by any Fiduciary pursuant to the Resolution; subject only to the provisions of the Resolution and the Agreement permitting the application of such amounts for or to the purposes and on the terms and conditions therein set forth. It is the intention of the Authority that, to the fullest extent permitted by law, such pledge shall be valid and binding from the time when it is made; that the Revenues, moneys, securities and other funds so pledged, and then or thereafter received by the Authority, shall immediately be subject to the lien of such pledge; and that the obligation to perform the contractual provisions therein contained shall have priority over any or all other obligations and liabilities of the Authority and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

As further security for the payment of the Bonds, the Authority, under the Resolution, assigns, transfers and pledges to the Trustee all of its rights and interests under and pursuant to the Agreement (excluding rights to notice and other procedural rights, its right to indemnification and rights and interests not material to Bondholders), including, without limiting the generality of the foregoing, the present and continuing right: (i) to claim, collect or receive from the Board, all Revenues thereunder, (ii) to bring actions and proceedings thereunder for enforcement of such right of collection, and (iii) to do any and all things which the Authority is or may become entitled to do under the Agreement; provided that such assignment shall not impair or diminish any obligation of the Authority under the Agreement.

The Bonds are special obligations of the Authority payable solely from the Revenues and other amounts described in the Resolution and do not and will not constitute an indebtedness of the State, the City or the Board and neither the State, the City nor the Board shall be in any way liable thereon. (*Sections 203 and 501*)

Establishment of Funds and Accounts. The Resolution establishes the following Funds:

- (1) Construction Fund;
- (2) Revenue Fund;
- (3) Debt Service Fund;
- (4) Authority Expense Fund;

- (5) Debt Service Reserve Fund;
- (6) Subordinated Indebtedness Fund;
- (7) Surplus Fund; and
- (8) Arbitrage Rebate Fund.

The Resolution establishes in the Debt Service Reserve Fund a separate account known as the “Common Account”, and provides that any Supplemental Resolution which authorizes a Special Credit Facility may establish one or more “Special Accounts” in the Debt Service Reserve Fund. The Resolution also establishes in the Debt Service Reserve Fund a separate account to be known as the “Capitalized Interest Account”.

The Trustee shall hold all of the Funds and Accounts, except the Authority Expense Fund, which shall be held by the Authority.

The Trustee is directed to make withdrawals and transfers from the Funds and Accounts established by the Resolution in order to comply with any agreement entered into upon or after the date of issuance of the Authority’s Fiscal 1987 Series C Bonds providing for the rebate of certain arbitrage earnings to the United States. (*Section 502*)

Construction Fund. The Authority shall deposit from time to time in the Construction Fund the net proceeds from the sale of each Series of Bonds and make the deposits in the Funds and Accounts required by the applicable Supplemental Resolutions. The Authority shall also deposit from time to time in the Construction Fund any other amounts required to be deposited therein pursuant to the Resolution or the Agreement, including amounts received by the Authority for or in connection with the System and determined by the Authority to be deposited therein. Any proceeds of insurance maintained by the Board or the City against physical loss of or damage to the System, or of contractors’ performance bonds pertaining to the construction of the System, shall also be paid into the Construction Fund.

Except as otherwise provided, amounts in the Construction Fund may only be expended to pay Costs of Water Projects (including Costs of Issuance). The Trustee shall make payments from the Construction Fund, except as otherwise provided, only upon receipt of a Disbursement Request signed by an Authorized Representative of the Authority.

To the extent that other moneys are not available therefor in any other Fund or Account, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Bonds when due. (*Section 503*)

Allocation of Revenues — Revenue Fund. The Authority shall cause all Revenues received from the Board pursuant to the Agreement or otherwise to be paid to the Trustee and deposited promptly upon receipt in the Revenue Fund. There shall also be deposited in the Revenue Fund all other amounts required by the Resolution or the Agreement to be so deposited. (*Section 504*)

Payments Into Certain Funds. From the Revenues in the Revenue Fund, the Trustee shall make, as soon as practicable in each month, the following deposits in the following order:

- (i) to the Debt Service Fund all such amounts until the amount therein on deposit in such month equals the Minimum Monthly Balance for such month for all Series of Bonds Outstanding;
- (ii) from the balance, if any, remaining in such month after making the deposits required in (i) above, to the Authority Expense Fund the entire balance until the total on deposit therein in such month is equal to the product obtained by multiplying (A) the sum of the Authority Expenses for the then current Fiscal Year plus (if included in the Authority Budget for the then current Fiscal Year) an amount (the “Reserve for Expenses”) equal to one-sixth (1/6th) of such Authority Expenses by (B) a fraction, the numerator of which is 12 minus the number of full months, excluding the month of calculation, remaining in the Fiscal Year, and the denominator of which is 12;

(iii) from the balance, if any, remaining after making the deposits required in (i) and (ii) above, *first*, to the Common Account in the Debt Service Reserve Fund, the amount, if any, necessary to make the total on deposit in the Common Account equal to the Debt Service Reserve Requirement for the Bonds to which such Common Account relates or, if less than sufficient, the entire balance and, *second*, to each Special Account until the amount therein on deposit equals the Debt Service Reserve Requirement for the Bonds to which each Special Account relates; *provided, however*, if the balance remaining is less than sufficient to credit in full each Special Account, credit shall be made pro rata among all Special Accounts in the same ratio as the Debt Service Reserve Requirement related to such Special Account bears to the sum of the Debt Service Reserve Requirements for all of the Bonds related to the Special Accounts; and

(iv) from the balance, if any, remaining after making the deposits required in (i), (ii) and (iii) above, to the Subordinated Indebtedness Fund the amount required to be deposited in accordance with the Authority Budget, or the entire balance, if less than sufficient.

Beginning with the first day of each Fiscal Year, the Trustee shall calculate the amounts deposited in the Revenue Fund on a daily basis until the total of all amounts deposited therein during such Fiscal Year is at least equal to the Cash Flow Requirement. On such date, if any, the Trustee is directed to give the notice to the Authority and the Board provided in Section 4.3(b) of the Agreement. Thereafter, during each Fiscal Year, no further Revenues shall be paid to the Trustee pursuant to paragraph Fourth of Section 4.2(c) of the Agreement so long as the Cash Flow Requirement, as the same may be revised from time to time, continues to be met. (*Section 505*)

Debt Service Fund. The Trustee shall, for each Series of Bonds Outstanding, pay from the Debt Service Fund the amounts due on each Bond Payment Date for the payment of the Principal Installments, if any, and from the moneys in the Debt Service Fund, including moneys in the Capitalized Interest Account in such Fund, interest on the Outstanding Bonds and on the redemption date or date of purchase, the amounts required for the payment of accrued interest on Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided.

The Trustee may, and if so directed by an Authorized Representative of the Authority shall, prior to the forty-fifth day preceding the due date of each Sinking Fund Installment, apply the amounts accumulated in the Debt Service Fund for such Sinking Fund Installment, together with any interest on the Bonds for which such Sinking Fund Installment was established: (i) to the purchase of Bonds of like Series and maturity at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable with such Sinking Fund Installment plus unpaid interest accrued or (ii) to the redemption of such Bonds, if redeemable by their terms, at or below said Redemption Price. Upon such purchase or redemption of any Bond, the Trustee shall then credit an amount equal to the principal of the Bond so purchased or redeemed toward the next Sinking Fund Installments thereafter to become due and the amount of any excess over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

In any event, the Trustee shall, as soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, call for redemption a sufficient amount of Bonds of like Series and maturity to complete the retirement of the principal amount specified for such Sinking Fund Installment of such Bonds whether or not it then has moneys in the Debt Service Fund to pay the applicable Redemption Price thereof on the redemption date. The Trustee shall apply to the redemption of the Bonds on each such redemption date the amount required for the redemption of such Bonds. (*Sections 506 and 514*)

Authority Expense Fund. The Authority shall apply amounts credited to the Authority Expense Fund to the payment of Authority Expenses. Any moneys in the Authority Expense Fund which the Authority determines are in excess of that needed to meet the sum of the unpaid Authority Expenses for such Fiscal Year plus (if such amount was included in the Authority Budget for such Fiscal Year) the

Reserve for Expenses, shall be applied toward any deficiencies in the following Funds and Accounts in the order stated: the Debt Service Fund, Debt Service Reserve Fund and Subordinated Indebtedness Fund. Any remaining amounts shall be credited to the Revenue Fund. (*Section 507*)

Debt Service Reserve Fund. The Resolution establishes a Debt Service Reserve Fund and a Common Account therein. In addition, the Resolution provides that any Supplemental Resolution which provides for a Special Credit Facility to secure the principal, interest or Tender Option Price of any Bonds may establish one or more “Special Accounts” in the Debt Service Reserve Fund. From the proceeds of each Series of Bonds there shall be deposited in the Debt Service Reserve Fund the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement, after giving effect to the issuance of such Bonds; and all such amounts will be credited to the Common Account, unless a Supplemental Resolution requires a deposit in a Special Account. Amounts on deposit in the Common Account will be applied, to the extent necessary, to pay the Principal Installments of and interest on the Bonds; *provided, however*, that the amounts in the Common Account may not be applied to pay the Principal Installments or Tender Option Price of or interest on Bonds for which such payments are secured by a Special Credit Facility, if the Supplemental Resolution authorizing such Bonds has established a Special Account. Likewise, amounts in any Special Account may not be applied to pay the Principal Installments of or interest on any Bond for which such payments may be made from the Common Account. Amounts on deposit in each of the Accounts in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available in the Surplus Fund, the Subordinated Indebtedness Fund and the Authority Expense Fund, to pay the Principal Installments of, and interest on the Bonds to which such Account relates when due. Amounts so applied shall be derived first from cash or Investment Securities on deposit, and second from draws and demands on Financial Guaranties.

If, as of June 30 of each year, the amount in any Account in the Debt Service Reserve Fund exceeds the applicable Debt Service Reserve Requirement after giving effect to any Financial Guaranty deposited in such Fund, the Trustee shall, on the first business day of the following Fiscal Year, withdraw from such Account the amount of any excess therein over the applicable Debt Service Reserve Requirement as of the date of such withdrawal for deposit into (i) the Arbitrage Rebate Fund, the amount estimated by the Authority to be required by the Code to be rebated to the Department of the Treasury, (ii) the Surplus Fund, the amount required to be deposited therein in accordance with the Authority Budget, and (iii) the Revenue Fund, the amount of any excess then remaining in the Debt Service Reserve Fund over the applicable Debt Service Reserve Fund Requirement.

Whenever the amount (exclusive of Financial Guaranties) in all of the Accounts in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay all Outstanding Bonds in accordance with their respective terms, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to the redemption or payment at maturity of all Bonds Outstanding.

In lieu of the required deposits and transfers to the Debt Service Reserve Fund, the Authority may cause to be deposited into the Debt Service Reserve Fund Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Fund or being deposited in the Debt Service Reserve Fund concurrently with such Financial Guaranties. The Financial Guaranties shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of a Principal Installment of or interest on any Bonds and such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Fund. If a disbursement is made pursuant to Financial Guaranties, the Authority shall be obligated either (i) to reinstate the maximum limits of such Financial Guaranties or (ii) to deposit into the Debt Service Reserve Fund, funds in the amount of the disbursement made under such Financial Guaranties, or a combination of such alternatives, as shall provide that the amount in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement.

In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the Authority, withdraw from the Debt Service Reserve Fund all or any portion of amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as provided in such written direction; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201 of the Resolution, and (b) the amount remaining in the Debt Service Reserve Fund after such withdrawal shall not be less than the Debt Service Reserve Requirement. (*Section 508*)

Subordinated Indebtedness Fund. The Trustee shall apply amounts on deposit in the Subordinated Indebtedness Fund solely to the maintenance of reserves for, or the payment of, Subordinated Indebtedness (or as otherwise provided by the resolution of the Authority authorizing each issue of Subordinated Indebtedness). The Trustee shall withdraw from the Subordinated Indebtedness Fund any amount necessary to render the balances in the Debt Service Fund or Debt Service Reserve Fund sufficient to meet the requirements of such Funds. (*Section 509*)

Surplus Fund. The Trustee shall, on each Bond Payment Date, apply moneys credited to the Surplus Fund in the following amounts: (i) to the Debt Service Fund the amount, if any, necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in such Fund and (ii) to the Debt Service Reserve Fund the amount, if any, necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in any Account in such Fund. Such transfer shall be made notwithstanding any other provisions of this Resolution requiring deposits in such Funds. Amounts on deposit in the Surplus Fund on the last day of a Fiscal Year shall be withdrawn from such Fund and transferred to the Board for deposit in the Local Water Fund. (*Section 510*)

Arbitrage Rebate Fund. Amounts on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee to make payments to the Department of the Treasury of the United States of America. Notwithstanding the foregoing, the Trustee shall apply moneys credited to the Arbitrage Rebate Fund in the following amounts: (i) to the Debt Service Fund the amount, if any, necessary (or all the moneys in the Arbitrage Rebate Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in the Debt Service Fund and (ii) to the Debt Service Reserve Fund the amount, if any, necessary (or all the moneys in the Arbitrage Rebate Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in any Account in the Debt Service Reserve Fund.

Amounts on deposit in the Arbitrage Rebate Fund in excess of the amount required to be maintained therein for the purposes of such Fund may be transferred and paid by the Trustee to the Surplus Fund. (*Section 510-a*)

Subordinated Indebtedness. The Authority may issue Subordinated Indebtedness payable out of and secured by a pledge of and lien on amounts in the Subordinated Indebtedness Fund available for such payment. Such Subordinated Indebtedness, however, shall be issued only for the purposes set forth in the Resolution and shall be secured by a pledge subordinate in all respects to the pledge created by the Resolution as security for the Bonds. (*Section 511*)

Depositaries. All moneys or securities held by the Trustee shall constitute trust funds and the Trustee may and shall, if directed by the Authority, deposit such moneys or securities with one or more Depositaries. All moneys or securities held by the Authority in the Authority Expense Fund shall be deposited with one or more Depositaries. All moneys or securities deposited under the provisions of the Resolution with the Trustee or any Depositary shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of the Funds established by the Resolution shall be a trust fund for the purposes thereof.

Each Depositary holding moneys or securities in trust for the Trustee shall be a bank or trust company organized under the laws of the State or a national banking association (having its principal office within the State), having capital stock, surplus and undivided earnings aggregating at least

\$100,000,000 and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Resolution. (*Section 512*)

Investment of Certain Funds. Moneys held in the Debt Service Fund, the Debt Service Reserve Fund and the Subordinated Indebtedness Fund (subject to the terms of any resolutions or other instruments securing any issue of Subordinated Indebtedness) shall be invested and reinvested to the fullest practicable extent in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to make payments required from such Funds; provided that in the case of the Debt Service Reserve Fund maturation may not occur later than fifteen years from the date of such investment, and in the case of the Debt Service Fund, investments shall be of the type described in clauses (ii), (iii) and (vi), and in the case of the Debt Service Reserve Fund, clauses (ii) and (iii), of the definition of "Investment Securities" (in either case, to the fullest extent practicable). Moneys in the Authority Expense Fund, the Revenue Fund, the Construction Fund, the Arbitrage Rebate Fund and the Surplus Fund may be invested in Investment Securities which mature no later than such times as shall be necessary to provide moneys when needed to make payments from such Funds. The Trustee shall make all investments in accordance with written instructions from any Authorized Representative of the Authority. Moneys in any Fund or Account may be combined with moneys in any other Fund or Account for the purpose of making such investments in Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than the Construction Fund, the Arbitrage Rebate Fund and the Debt Service Reserve Fund, shall be paid into the Revenue Fund as and when received. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in (i) the Debt Service Reserve Fund shall be paid into the Arbitrage Rebate Fund or the Surplus Fund, (ii) the Construction Fund shall be paid to the Board for deposit in the Local Water Fund quarterly, on the 15th day of each July, October, January and April of each Fiscal Year upon receipt of a written request and a certificate of the Authority relating to the satisfaction of the Cash Flow Requirement and (iii) the Arbitrage Rebate Fund shall remain in such fund.

All Investment Securities acquired with moneys in any Fund or Account, including any Fund or Account held by the Authority, shall be held by the Trustee in pledge or by a Depository as agent in pledge in favor of the Trustee. (*Section 514*)

Additional Bonds. The Authority may issue Bonds from time to time without limitation as to amount except as provided in the Resolution or as specified by law to generate funds sufficient to meet the Costs of Water Projects, to make deposits in the Funds and Accounts or to refund Outstanding Bonds, Bond Anticipation Notes, Subordinated Indebtedness or outstanding bonds of the City issued to pay the capital costs of the System. All Bonds shall be issued subject to the terms, conditions and limitations established in the Resolution and in one or more Series as therein provided.

Bonds shall be authenticated and delivered only upon the Trustee's receipt of, among other items:

- (a) a certified copy of the Supplemental Resolution authorizing such Series;
- (b) (i) in the case of the initial Series of Bonds, an executed copy of the Agreement and the Lease; and (ii) in the case of any subsequent Series of Bonds, an executed copy of any amendment or supplement to the Agreement or the Lease not theretofore delivered to the Trustee;
- (c) except in the case of Series of Bonds issued prior to July 1, 1986 and any Series of Refunding Bonds issued pursuant to Section 207 of the Resolution, a certificate of an Authorized Representative of the Authority setting forth (i) the Revenues for either of the last two full Fiscal Years immediately preceding the Fiscal Year in which such Bonds are to be issued and (ii) the Aggregate Debt Service during such Fiscal Year for which Revenues are set forth pursuant to clause (i) above (excluding from Aggregate Debt Service any Principal Installment or portion thereof which was paid from sources other than Revenues) and (iii) the sum of the Operating

Expenses and the Required Deposits for such period, and showing that the amount set forth in (i) is at least equal to the sum of (x) an amount equal to 115% of the amount set forth in (ii) and (y) an amount equal to 100% of the amount set forth in (iii);

(d) except in the case of the initial Series of Bonds under the Resolution and any Series of Refunding Bonds issued pursuant to Section 207 of the Resolution, a certificate of the Consulting Engineer setting forth the projected Operating Expenses for each of the five Fiscal Years following the Issuance of such Series of Bonds (plus the Fiscal Year in which such Bonds are issued);

(e) except in the case of the initial Series of Bonds under the Resolution and any Series of Refunding Bonds issued pursuant to Section 207, a certificate, signed by an Authorized Representative of the Authority setting forth the estimated Required Deposits for each of the five Fiscal Years following the issuance of such Series of Bonds (plus the Fiscal Year in which such Bonds are issued); and

(f) except in the case of the initial Series of Bonds under the Resolution and any Series of Refunding Bonds issued pursuant to Section 207, a certificate of the Rate Consultant (i) setting forth the estimated Revenues for each of the five Fiscal Years following the issuance of such Series of Bonds (plus the Fiscal Year in which such Bonds are issued) after giving effect to any increases or decreases in rates, fees and charges projected for such Fiscal Years and (ii) showing for each such Fiscal Year that the estimated Revenues for such Fiscal Year will be at least equal to the sum of (A) 115% of the maximum estimated Adjusted Aggregate Debt Service on all Bonds then Outstanding including the Bonds to be issued, and (B) 100% of the sum of the projected Operating Expenses and Required Deposits, as shown on the Certificate of the Consulting Engineer delivered pursuant to paragraph (e) above and the Certificate of the Authority delivered pursuant to paragraph (f) above, respectively. (*Sections 204 and 206*)

Refunding Bonds. One or more Series of Refunding Bonds may be issued pursuant to Section 207 of the Resolution at any time to refund any Outstanding Bonds provided that (i) estimated average annual Debt Service on such Series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded and (ii) the maximum Debt Service in any Fiscal Year on such Series of Refunding Bonds shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded, all as shown in a Certificate signed by an Authorized Representative of the Authority and delivered to the Trustee prior to the authentication and delivery of such Series of Refunding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts required by the provisions of the Supplemental Resolution authorizing such Bonds. (*Section 207*)

Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may, by resolution, authorize the issuance of notes (and renewals thereof) in anticipation of such Series of Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Resolution. The Authority may also pledge the Revenues to the payment of the interest on, and subject to Section 707 of the Resolution, the principal of such notes. A copy of the Resolution of the Authority authorizing such notes, certified by an Authorized Representative of the Authority, shall be delivered to the Trustee following its adoption, together with such other information concerning such notes as the Trustee may reasonably request. (*Section 208*)

Credit Facilities. In connection with the issuance of any Series of Bonds, the Authority may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Principal Installments, or Redemption Price or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Bonds by the Authority.

The Authority may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); *provided, however*, that no Reimbursement Obligation shall be created until amounts are paid under such Credit Facility. Any such Reimbursement Obligation (a "Parity Reimbursement Obligation") may be secured by a pledge of, and a lien on Revenues on a parity with the lien created by Section 501 of the Resolution. Upon the payment of amounts under the Credit Facility which payment results in the Parity Reimbursement Obligation becoming due and payable, such Parity Reimbursement Obligation shall be deemed to be part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof, as specified in the applicable Supplemental Resolution. (*Section 209*)

Indebtedness and Liens. The Resolution provides that the Authority shall not issue any bonds, or other evidences of indebtedness, other than the Bonds, Bond Anticipation Notes, Subordinated Indebtedness and Parity Reimbursement Obligations, secured by a pledge of or other lien on the Revenues and shall not create or cause to be created any lien on such Revenues or on any amounts held by any Fiduciary, under the Resolution; however, the Authority may: (i) issue notes payable from the proceeds of Bonds or other obligations for the corporate purposes of the Authority payable or secured by Revenues derived on and after such date as the pledge of the Revenues provided in the Resolution is discharged and satisfied and (ii) issue bonds or other obligations for the corporate purposes of the Authority payable out of or secured by the pledge of amounts in the Local Water Fund after satisfaction of the Cash Flow Requirement for the then current Fiscal Year, and which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions of the lien and pledge created by the Resolution. (*Section 707*)

Agreement of the State. In accordance with Section 1045-t of the Act, the Authority agrees, for and on behalf of the State, that the State will not alter or limit the rights vested by the Act in the Authority or the Board to fulfill the terms of any agreement made with or for the benefit of the Bondholders, or in any way impair the rights and remedies of Bondholders, until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. (*Section 711*)

Authority Budget. The Authority shall, on or before May 1, in each Fiscal Year, adopt and file with the Trustee, the Board and the City, a certified copy of the Authority Budget showing the estimated Cash Flow Requirement and the components thereof (on a monthly basis) for the ensuing Fiscal Year, together with any other information required to be set forth therein by the Resolution or the Agreement. Such Authority Budget may set forth such additional information as the Authority may determine or as the Board or the City may request. If for any reason the Authority shall not have adopted the Authority Budget before such May 1, the Authority Budget for the then current Fiscal Year shall be deemed to be the Authority Budget for the ensuing Fiscal Year until a new Authority Budget is adopted. The Authority may at any time adopt an amended Authority Budget for the then current or ensuing Fiscal Year, but no such amended Authority Budget shall supersede any prior Budget until the Authority shall have filed with the Trustee, the Board and the City a copy of such amended Authority Budget. Each month the Authority shall recalculate the Cash Flow Requirement. (*Sections 712 and 713*)

Enforcement and Amendment of Agreement and Lease. The Authority shall enforce or cause to be enforced the provisions of the Agreement and the Lease and duly perform its covenants and agreements under the Agreement. The Authority will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Agreement or the Lease except in accordance with Article X of the Agreement of the Resolution. (*Section 714*)

Supplemental Resolutions. The Resolution permits the modification or amendment of the rights and obligations of the Authority and of the holders of the Bonds thereunder by a Supplemental Resolution, with the written consent of the holders of two-thirds of the principal amount of: (i) the Bonds then Outstanding and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Bonds of the Series so affected and then Outstanding; however, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of modification; provided no such modification or amendment shall change the terms of redemption, maturity of principal, installment of interest, or reduce the principal amount, Redemption Price, or rate of interest without the consent of the holder of the affected Bond, or reduce the percentages of consents required to effect any future modification or amendment.

The Authority may adopt (without the consent of any holders of the Bonds) supplemental resolutions to authorize additional Bonds; to add to the restrictions contained in the Resolution upon the issuance of additional indebtedness; to add to the covenants of the Authority contained in, or surrender any rights reserved to or conferred upon it by, the Resolution; to confirm any pledge under the Resolution of Revenues or other moneys; to preserve the federal tax exemption of interest on the Bonds; or otherwise to modify any of the provisions of the Resolution (but no such other modification may be effective while any of the Bonds of any Series theretofore issued are Outstanding); or to cure any ambiguity, supply any omission or to correct any defect in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, and are not contrary to or inconsistent with the Resolution as theretofore in effect or to provide for additional duties of the Trustee (provided that the Trustee shall consent thereto). (*Arts. VIII and IX*)

Defaults and Remedies. The Resolution provides that if one or more of the following Events of Default shall occur, namely: (i) a default in the payment of the principal or Redemption Price of any Bond; (ii) a default in payment of any installment of interest on any Bond; (iii) a default by the Authority in the performance or observance of any other of its covenants, agreements or conditions in the Resolution for a period of 45 days after written notice thereof; (iv) a default under the Agreement or the Lease by the Board or the City for a period of 45 days after written notice thereof; or (v) a filing of a petition for relief under any federal or State bankruptcy or similar law by the Authority; then, upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds Outstanding the Trustee shall, declare the principal and accrued interest on all the Bonds then Outstanding, due and payable immediately subject, however, to rescission of such declaration and annulment of the default upon the remedying thereof.

The Authority covenants that upon the occurrence of an Event of Default, the books of record and account of the Authority shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys and that, upon demand of the Trustee, the Authority will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

Upon default, the Trustee may proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution. During the continuance of an Event of Default, Revenues shall be applied first, to the reasonable and proper charges and expenses of the Trustee; then (unless the principal of all of the Bonds shall have been declared payable) to the payment of all unpaid interest ratably, and then to unpaid principal or Redemption Price, ratably; and if all of the principal of the Bonds shall be due and payable, to the payment of unpaid principal and interest, without preference or priority of interest over principal,

principal over interest or of any Bond or installment over any other Bond or installment, without any discrimination or preference. No Bondholder has any right to institute suit to enforce any provision of the Resolution or the execution of any trust thereunder or for any remedy thereunder, unless the Trustee has been requested by the holders of at least a majority in principal amount of the Bonds to take such action and has been offered adequate security and indemnity and has failed to commence such suit in the manner provided in the Resolution. The right to appoint a statutory trustee under Section 1045-p of the Act is expressly abrogated. (*Art. X*)

Defeasance of Bonds Other than Variable Rate or Option Bonds. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid and shall cease to be entitled to any lien, benefit or security under the Resolution if (i) in the case of any Bonds to be redeemed prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to publish on such date the notice of redemption therefor (other than Bonds purchased by the Trustee prior to the publication of the notice of redemption), (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Defeasance Obligations the principal of and/or the interest on which, when due, without reinvestment, will, as verified by the report of a firm of nationally recognized independent certified public accountants⁽¹⁾, provide moneys which, together with the moneys deposited shall be sufficient, to pay when due the principal or Redemption Price (if applicable) and interest due and to become due on said Bonds and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee irrevocable instructions to publish, as soon as practicable, a notice to the holders of such Bonds that the deposit required above has been made with the Trustee and that said Bonds are deemed paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, on such Bonds (other than Bonds purchased by the Trustee prior to the publication of the notice of redemption); provided that any notice published for Bonds constituting less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. The Trustee shall, to the extent necessary, apply moneys to the retirement of said Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments thereto.

The Trustee shall, if so directed by the Authority prior to the maturity date of Bonds deemed to have been paid which are not to be redeemed prior to their maturity date or prior to the publication of the above notice of redemption for Bonds deemed paid and to be redeemed, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and purchase such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; *provided, however*, that the moneys and Defeasance Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Bonds. (*Section 1201*)

Defeasance of Variable Rate Bonds. The Resolution provides that for the purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, by the deposit of moneys, or Defeasance Obligations and moneys (if any), the interest due on such Bonds shall be calculated at the maximum rate permitted; *provided, however*, that if, as a result of such Bonds having borne interest at less than the maximum rate for any period, the total amount of moneys and Investment Securities on deposit with the Trustee for the payment of interest on such Bonds exceeds the total amount required to be deposited with the Trustee, the Trustee shall, if requested by the Authority, pay the amount in excess to the Authority free and clear of any lien or pledge securing the Bonds or otherwise existing under the Resolution. (*Section 1201*)

⁽¹⁾ Any Supplemental Resolution adopted by the Authority on or after February 28, 2005 (including the Amended and Restated Forty-Second Supplemental Resolution) provides that the verification report may be prepared by a firm of nationally recognized verification agents rather than a firm of nationally recognized independent certified public accountants.

Defeasance of Option Bonds. Under the Resolution, Option Bonds shall be deemed paid in accordance with the Resolution only if, in addition to satisfying several of the requirements applicable to other than Variable Rate or Option Bonds, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay the maximum amount of principal of and premium due, if any, and interest on such Bonds which could become payable to the holders of such Bonds upon the exercise of any options provided to the holders of such Bonds; *provided, however*, that if the options originally exercisable by the holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond. (*Section 1201*) A defeasance of the Fiscal 2008 B-1 Bonds shall require evidence that the long-term or short-term ratings assigned to such Fiscal 2008 B-1 Bonds by any of the Rating Agencies (to the extent such Rating Agency maintains a rating on the Fiscal 2008 B-1 Bonds) would not be reduced or withdrawn.



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March 19, 2008

New York City Municipal
Water Finance Authority

New York City Municipal Water Finance Authority
Water and Sewer System Revenue Bonds,
Adjustable Rate Fiscal 2008 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to 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 Act (defined below), in connection with the issuance by the Authority of \$535,000,000 aggregate principal amount of Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2008 Series B (the "2008 Series B Bonds"), issued under and pursuant to 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") 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 March 7, 2008 entitled "Seventy-Ninth Supplemental Resolution Authorizing the Issuance of up to \$600,000,000 Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2008 Series B" (the "Seventy-Ninth Supplemental Resolution") authorizing the 2008 Series B Bonds. The 2008 Series B 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 2008 Series B Bonds are being issued for the purposes of the Resolution. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto 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,



ORRICK

New York City Municipal
Water Finance Authority

March 19, 2008
Page 2

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 July 1, 1985, as amended (the "Financing Agreement"), related to, among other things, the financing of Water Projects.

In such connection, we have reviewed the Resolution, the Seventy-Ninth Supplemental Resolution, the Lease, the Financing Agreement and the Tax Certificate of the Authority (the "Tax Certificate"), the opinion of Corporation Counsel of The City of New York, certificates of the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution, the Seventy-Ninth Supplemental Resolution, the Lease, the Financing Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2008 Series B Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2008 Series B Bonds, the Resolution, the Seventy-Ninth Supplemental Resolution, the Lease, the Financing Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the



foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Resolution, the Seventy-Ninth Supplemental Resolution, the Lease or the Financing Agreement, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2008 Series B Bonds and express no opinion with respect thereto herein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof we are of the following opinions:

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 Seventy-Ninth Supplemental Resolution and to issue the 2008 Series B Bonds.

2. The Resolution and the Seventy-Ninth 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 Seventy-Ninth 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 for the repayment of the Bonds, subject only to the provisions of the Resolution, the Seventy-Ninth 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 2008 Series B Bonds have been duly and validly authorized and issued. The 2008 Series B 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 2008 Series B Bonds are payable solely from the Revenues and other amounts pledged to such payment under the Resolution. The 2008 Series B 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.



O R R I C K

New York City Municipal
Water Finance Authority

March 19, 2008
Page 4

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. Interest on the 2008 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2008 Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the 2008 Series B Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2008 Series B Bonds.

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 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 Lease and the Financing Agreement 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.

Faithfully yours,

Orrick, Herrington & Sutcliffe LLP
ORRICK, HERRINGTON & SUTCLIFFE LLP

FORM OF BOND COUNSEL OPINION UPON REMARKETING

March 6, 2013

The Bank of New York Mellon,
as Trustee and Tender Agent
101 Barclay Street, 7W Floor
New York, New York 10286

New York City Municipal Water Finance Authority
\$200,000,000 Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2008 Subseries B-1

Ladies and Gentlemen:

The New York City Municipal Water Finance Authority Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2008 Subseries B-1 in the aggregate principal amount of \$200,000,000 (the “Bonds”) were issued by the New York City Municipal Water Finance Authority (the “Issuer”) pursuant to (i) the New York City Municipal Water Finance Authority Act, constituting Title 2A of Article 5 of the Public Authorities Law of the State of New York, as amended (the “Act”), (ii) the Water and Sewer System General Revenue Bond Resolution adopted by the Issuer November 14, 1985 (the “General Resolution”) and (iii) the “Seventy-Ninth Supplemental Resolution Authorizing the Issuance of \$600,000,000 Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2008 Series B,” adopted by the Issuer on March 7, 2008 (the “Supplemental Resolution”). At the time of issuance of the Bonds, we rendered an opinion to the effect that, subject to certain conditions and assumptions described in such opinion, under then existing law, the interest on the Bonds was excluded from gross income for federal income tax purposes and that the interest on the Bonds was not treated as a preference item for purposes of computing the federal alternative minimum tax under the Code with respect to individuals and corporations. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the General Resolution and the Supplemental Resolution.

Pursuant to the requirements under “Substitution of Credit Facility” in Exhibit B to the Supplemental Resolution, the Issuer is providing for the delivery to the Tender Agent of substitute Credit Facilities, in the form of (i) a Standby Letter of Credit and Reimbursement Agreement, dated as of March 1, 2013, between the Issuer and Sumitomo Mitsui Banking Corporation, acting through its New York Branch, with respect to the Adjustable Rate Fiscal 2008 Subseries B-1A Bonds and (ii) a Standby Bond Purchase Agreement, dated as of March 1, 2013, between the Issuer and Royal Bank of Canada with respect to the Adjustable Rate Fiscal 2008 Subseries B-1B Bonds (together, the “Substitute Credit Facilities”), in substitution for the existing Credit Facility.

Pursuant to Section 2.02 of the Supplemental Resolution, the Bonds are being unconsolidated (the “Unconsolidation”) into Adjustable Rate Fiscal 2008 Subseries B-1A Bonds and Adjustable Rate Fiscal 2008 Subseries B-1B Bonds.

In connection with the substitution of the Substitute Credit Facilities and the Unconsolidation, as bond counsel to the Issuer, we have reviewed the Act, the General Resolution, the Supplemental Resolution, certificates of the Issuer, the Trustee and others, rating letters, and such other documents, opinions and matters to the extent we deemed necessary to render the opinion set forth herein.

The opinions expressed herein is based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any party other than the Issuer. We have assumed, without undertaking to verify, the accuracy of

the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to above. Furthermore, we have assumed compliance with all covenants and agreements contained in the Act, the General Resolution, the Supplemental Resolution and the related tax certificates, including (without limitation) covenants and agreements compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth herein, we have not otherwise reviewed any actions, omissions or events occurring after the date of issuance of the Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that the substitution of the Substitute Credit Facilities for the Credit Facility and the Unconsolidation are permitted by the General Resolution, the Supplemental Resolution and the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation under Section 103 of the Code.

This opinion is furnished by us as bond counsel to the Issuer solely for purposes of subsection (b)(iii) under “Substitution of Credit Facility” in Exhibit B to, and Section 2.02 of, the Supplemental Resolution. No attorney-client relationship has existed or exists between our firm and the Trustee and Tender Agent in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion. This opinion is delivered to the addressee hereof pursuant to subsection (b)(iii) of “Substitution of Credit Facility” in Exhibit B to the Supplemental Resolution and is not to be used or relied upon for any other purpose or by any person. This opinion is not intended to, and may not, be relied upon by owners of Bonds or any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

BOOK-ENTRY-ONLY FORM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Fiscal 2008 B-1 Bonds. The Fiscal 2008 B-1 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Fiscal 2008 B-1 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC, in the aggregate principal amount of the Fiscal 2008 B-1 Bonds.

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

Purchases of Fiscal 2008 B-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Fiscal 2008 B-1 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Fiscal 2008 B-1 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 2008 B-1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Fiscal 2008 B-1 Bonds, except in the event that use of the book-entry system for the Fiscal 2008 B-1 Bonds is discontinued.

To facilitate subsequent transfers, all Fiscal 2008 B-1 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 Fiscal 2008 B-1 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 2008 B-1 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Fiscal 2008 B-1 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 of the Fiscal 2008 B-1 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 the Fiscal 2008 B-1 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Fiscal 2008 B-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of redemption proceeds and principal and interest payments on the Fiscal 2008 B-1 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 Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Fiscal 2008 B-1 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Fiscal 2008 B-1 Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Fiscal 2008 B-1 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Fiscal 2008 B-1 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Fiscal 2008 B-1 Bonds are transferred by the Direct Participants on DTC's records and followed by a book-entry credit of tendered Fiscal 2008 B-1 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Fiscal 2008 B-1 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-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS 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.

DESCRIPTION OF THE LIQUIDITY PROVIDERS

Sumitomo Mitsui Banking Corporation

The following information concerning SMBC has been provided by representatives of SMBC and has not been independently confirmed or verified by the Authority or the Remarketing Agent. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

Sumitomo Mitsui Banking Corporation (*Kabushiki Kaisha Mitsui Sumitomo Ginko*) (“SMBC”) is a joint stock corporation with limited liability (*Kabushiki Kaisha*) under the laws of Japan. The registered head office of SMBC is located at 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan.

SMBC was established in April 2001 through the merger of two leading banks, The Sakura Bank, Limited and The Sumitomo Bank, Limited. In December 2002, Sumitomo Mitsui Financial Group, Inc. (“SMFG”) was established through a stock transfer as a holding company under which SMBC became a wholly owned subsidiary. **SMFG reported ¥ 139,465,718 million (USD1,567,030 million) in consolidated total assets as of September 30, 2012.**

SMBC is one of the world’s leading commercial banks and provides an extensive range of banking services to its customers in Japan and overseas. In Japan, SMBC accepts deposits, makes loans and extends guarantees to corporations, individuals, governments and governmental entities. It also offers financing solutions such as syndicated lending, structured finance and project finance. SMBC also underwrites and deals in bonds issued by or under the guarantee of the Japanese government and local government authorities, and acts in various administrative and advisory capacities for certain types of corporate and government bonds. Internationally, SMBC operates through a network of branches, representative offices, subsidiaries and affiliates to provide many financing products including syndicated lending and project finance.

The New York Branch of SMBC is licensed by the State of New York Banking Department to conduct branch banking business at 277 Park Avenue, New York, New York, and is subject to examination by the State of New York Banking Department and the Federal Reserve Bank of New York.

Financial and Other Information

Audited consolidated financial statements for SMFG and its consolidated subsidiaries for the fiscal years ended March 31, 2012, as well as other corporate data, financial information and analyses are available in English on the website of SMFG at www.smfg.co.jp/english.

The information herein has been obtained from SMBC, which is solely responsible for its content. The delivery of the Reoffering Memorandum shall not create any implication that there has been no change in the affairs of SMBC since the date hereof, or that the information contained or referred herein is correct as of any time subsequent to its date.

Royal Bank of Canada

The following information concerning the B-1B Liquidity Provider has been provided by representatives of the B-1B Liquidity Provider and has not been independently confirmed or verified by the Authority or the Remarketing Agent. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information given below is correct as of any time subsequent to its date.

Royal Bank of Canada (“Royal Bank”) is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. Royal Bank’s corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3C 3A9, Canada. Royal Bank is the parent company of RBC Capital Markets, LLC, the Remarketing Agent.

Royal Bank and its subsidiaries operate under the master brand name RBC. Royal Bank is Canada’s largest bank as measured by assets and market capitalization and is among the largest banks in the world based on market capitalization. Royal Bank is one of North America’s leading diversified financial services companies and provides personal and commercial banking, wealth management services, insurance, investor services and wholesale banking on a global basis. Royal Bank and its subsidiaries employ approximately 80,000 full- and part-time employees who serve more than 15 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 49 other countries.

Royal Bank had, on a consolidated basis, as at October 31, 2012, total assets of C\$825 billion (approximately US\$826 billion*), equity attributable to shareholders of C\$44 billion (approximately US\$44 billion*), and total deposits of C\$508 billion (approximately US\$509 billion*). The foregoing figures were prepared in accordance with International Financial Reporting Standards and have been extracted and derived from, and are qualified by reference to, Royal Bank’s audited Annual Consolidated Financial Statements included in Royal Bank’s Report to Shareholders for the fiscal year ended October 31, 2012. The unaudited Interim Condensed Consolidated Financial Statements included in the Bank’s Report to Shareholders for the period ended January 31, 2013 will be available on the Bank’s website at www.rbc.com and on the EDGAR section of the United States Securities and Exchange Commission website at www.sec.gov on or about February 28, 2013.

The senior long-term unsecured debt of Royal Bank has been assigned ratings of AA- (stable outlook) by Standard & Poor’s Ratings Services, Aa3 (stable outlook) by Moody’s Investors Service and AA (stable outlook) by Fitch Ratings. Royal Bank’s common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol “RY.” Its preferred shares are listed on the Toronto Stock Exchange.

Upon written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Reoffering Memorandum is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, 4th Floor, North Tower, Toronto, Ontario M5J 2W7, Canada, or by calling (416) 955-7802, or by visiting rbc.com/investorrelations/.

The delivery of this Reoffering Memorandum does not imply that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

* As at October 31, 2012: C\$1.00 = US\$1.0010010010.

