

NEW ISSUE

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of 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 2011 BB Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Fiscal 2011 BB Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Fiscal 2011 BB 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 expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Fiscal 2011 BB Bonds. See "TAX MATTERS."

\$210,040,000
New York City
Municipal Water Finance Authority
Water and Sewer System Second General Resolution Revenue Bonds,
Fiscal 2011 Series BB

Dated: Date of Delivery

Due: June 15, as shown on the inside cover

The Fiscal 2011 BB Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York which will act as securities depository for the Fiscal 2011 BB Bonds. Purchases of beneficial interests in such Fiscal 2011 BB Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing the ownership interest in the Fiscal 2011 BB Bonds purchased by them. See "BOOK-ENTRY-ONLY SYSTEM."

Interest on the Fiscal 2011 BB Bonds will accrue from their date of delivery and will be payable semiannually on each June 15th and December 15th, commencing December 15, 2010. The Fiscal 2011 BB Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof. The Fiscal 2011 BB Bonds are subject to redemption prior to maturity as described herein. The proceeds of the Fiscal 2011 BB Bonds are expected to be applied (i) to pay principal and interest on a portion of the Authority's Outstanding First Resolution Bonds and (ii) to pay certain costs of issuance.

The Fiscal 2011 BB Bonds are special obligations of the Authority, payable solely from and secured by a pledge of and subordinate lien on the gross revenues of the System. The Authority has no taxing power. The Fiscal 2011 BB 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 2011 BB Bonds.

The Fiscal 2011 BB Bonds are offered when, as and if issued by the Authority and received by the Underwriters 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 Underwriters by Nixon Peabody LLP, New York, New York. It is anticipated that the Fiscal 2011 BB Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about September 30, 2010.

Rice Financial Products Company

Barclays Capital
Morgan Keegan & Company, Inc.

M.R. Beal & Company

Jefferies & Company
Ramirez & Co., Inc.

BofA Merrill Lynch
Goldman, Sachs & Co.
Morgan Stanley
Roosevelt & Cross Incorporated

Citi
J.P. Morgan
Raymond James & Associates, Inc.
Siebert Brandford Shank & Co., LLC

Fidelity Capital Markets
Loop Capital Markets, LLC
RBC Capital Markets
Wells Fargo Bank, National Association

BB & T Capital Markets
Piper Jaffray

Lebenthal & Co., LLC
Stifel Nicolaus

Oppenheimer & Co., Inc.
Stone & Youngberg

\$210,040,000

New York City Municipal Water Finance Authority

**Water and Sewer System Second General Resolution Revenue Bonds,
Fiscal 2011 Series BB**

Due June 15,	Principal Amount	Interest Rate	Yield	CUSIP Number⁽¹⁾
2011	\$ 530,000	3%	0.32%	64972FT97
2014	995,000	3	0.96	64972FU20
2015	1,025,000	5	1.35	64972FU38
2016	9,115,000	4	1.70	64972FU46
2017	2,615,000	4	1.99	64972FU53
2019	4,720,000	5	2.46	64972FU61
2025	10,000,000	3	3.23	64972FU95
2025	12,170,000	5	3.23(†)	64972FV29
2030	4,170,000	3½	3.69	64972FU79
2030	78,235,000	5	3.69(†)	64972FV37
2031	86,465,000	5	3.78(†)	64972FU87

† Priced to call on June 15, 2020.

⁽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 issuance of the Fiscal 2011 BB Bonds and the Authority and the Underwriters 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 issuance of the Fiscal 2011 BB 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 2011 BB Bonds.

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212-788-5889

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David M. Frankel, <i>ex officio</i>	<i>Member</i>
Caswell F. Holloway IV, <i>ex officio</i>	<i>Member</i>
Peter J. Kenny	<i>Member</i>
Marc V. Shaw	<i>Member</i>
Alan L. Anders	<i>Chief Executive Officer</i>
Thomas G. Paolicelli	<i>Executive Director</i>
Marjorie E. Henning	<i>Secretary</i>
Michele Mark Levine	<i>Comptroller</i>
Eileen T. Moran	<i>Deputy Comptroller</i>
Robert L. Balducci	<i>Assistant Comptroller</i>
Prescott D. Ulrey	<i>Assistant Secretary</i>
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Raymond Orlando	<i>Director of Media and Investor Relations</i>

New York City Water Board
59-17 Junction Boulevard, 8th Floor
Flushing, New York 11373-5108
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Alan Moss	<i>Chair</i>
Marcia Bystryn	<i>Member</i>
Donald Capoccia	<i>Member</i>
Mehul Patel	<i>Member</i>
Benjamin A. Tisdell	<i>Member</i>
Steven Lawitts	<i>Executive Director</i>
Mathilde O. McLean	<i>Treasurer</i>
Carmelo Emilio	<i>Deputy Treasurer</i>
Albert F. Moncure, Jr.	<i>Secretary</i>

Authority Consultants

Bond Counsel	<i>Orrick, Herrington & Sutcliffe LLP</i>
Consulting Engineer	<i>AECOM USA, Inc.</i>
Financial Advisors	<i>Lamont Financial Services Corporation/MFR Securities, Inc.</i>
Rate Consultant	<i>Amawalk Consulting Group LLC</i>

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Fiscal 2011 BB 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 2011 BB 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 Official Statement. Neither the delivery of this Official Statement nor the sale of any of the Fiscal 2011 BB 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 Official Statement, 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 Official Statement. 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.

Deloitte & Touche LLP, the Authority's independent auditor has not reviewed, commented on or approved, and is not associated with, this Official Statement. The report of Deloitte & Touche LLP relating to the Authority's financial statements for the fiscal years ended June 30, 2009 and 2008, which is a matter of public record, is included in this Official Statement. 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 Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE FISCAL 2011 BB 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 OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

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OFFICIAL STATEMENT

\$210,040,000

NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY WATER AND SEWER SYSTEM SECOND GENERAL RESOLUTION REVENUE BONDS, FISCAL 2011 SERIES BB

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 Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2011 Series BB (the “Fiscal 2011 BB 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 “First Resolution” and, when issued thereunder the “First Resolution Bonds”), or subordinate obligations of the Authority under its Second Resolution (defined below). 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 2011 BB Bonds will be issued by the Authority pursuant to its Water and Sewer Second General Revenue Bond Resolution adopted on March 30, 1994, as amended (the “Second Resolution”) and its Supplemental Resolution No. 74 adopted on September 13, 2010 (the “Supplemental Resolution”). All bonds issued under the Second Resolution, are referred to herein as “Second Resolution Bonds.” The Second Resolution and the 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 Second Resolution.

The Second Resolution Bonds are special obligations of the Authority, payable solely from and secured by a pledge of amounts on deposit in the Subordinated Indebtedness Fund established by the First Resolution and all moneys or securities in any of the funds and accounts established under the Second Resolution, subject only to provisions of the Second 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 First Resolution Bonds to become due in such Fiscal Year on all First Resolution 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 SECOND RESOLUTION 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 SECOND RESOLUTION 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.”

Financial Projection Assumptions

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

The financial projections contained in this Official Statement, including bond financings, operating and maintenance expenses, debt service, revenues, sources and uses of funds, and forecasted cash flows and rate increases, were prepared as of May 21, 2010, and are expected to be updated annually. Actual financial results will differ from these projections.

INCLUSION BY SPECIFIC REFERENCE

The portions under the captions identified below of the Fiscal 2011 AA Official Statement dated September 16, 2010 (the “Fiscal 2011 AA Official Statement”), a copy of which is delivered herewith are, subject to the information contained elsewhere herein, included herein by specific reference:

- SECURITY FOR THE SECOND RESOLUTION BONDS
- 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

CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12
INVESTMENTS
LEGALITY FOR INVESTMENT AND DEPOSIT
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ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS
CERTAIN LEGAL OPINIONS
APPENDIX A – LETTER OF AECOM USA INC., CONSULTING ENGINEERS
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Any reference to the Fiscal 2011 AA Bonds or Supplemental Resolution No. 73 in the information incorporated herein by specific reference shall be read to be a reference to the Fiscal 2011 BB Bonds or Supplemental Resolution No. 74, as the case may be, unless the context thereof clearly indicates that such information is only applicable to the Fiscal 2011 AA Bonds or Supplemental Resolution No. 73.

Descriptions of the Authority, the Board, the System and the CIP, together with other information; including summaries of the terms of the Resolution, the Second Resolution, the Agreement and the Lease are set forth in the Fiscal 2011 AA 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 Second Resolution.

PLAN OF FINANCE

The proceeds of the Fiscal 2011 BB Bonds will be used (i) to pay principal and interest on a portion of the Authority’s Outstanding Water and Sewer System First Resolution Bonds as set forth in APPENDIX G hereto (the “Refunded Bonds”) and (ii) to pay certain costs of issuance. On or about September 23, 2010, the Authority expects to issue \$750,000,000 of its Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2011 Series AA (Taxable Build America Bonds) (the “Fiscal 2011 AA Bonds”). The Fiscal 2011 AA Bonds are described in the Authority’s Fiscal 2011 AA Official Statement.

USE OF PROCEEDS

The proceeds of the Fiscal 2011 BB Bonds are anticipated to be applied in the following manner:

Deposit to Escrow Account for Refunded Bonds	\$229,608,742
Underwriters’ Discount	1,135,444
Costs of Issuance	<u>147,008</u>
Total Uses of Proceeds	<u>\$230,891,194</u>
Net Original Issue Premium	<u>(20,851,194)</u>
Par Amount of Fiscal 2011 BB Bonds	\$210,040,000

THE FISCAL 2011 BB BONDS

General

The Fiscal 2011 BB Bonds initially delivered to the Underwriters will be dated their date of delivery. The Fiscal 2011 BB Bonds will mature on and will bear interest at the rates shown on the inside cover of this Official Statement. Interest on the Fiscal 2011 BB Bonds will be payable on each June 15th and December 15th, commencing December 15, 2010.

Principal of, redemption premium, if any, and interest on the Fiscal 2011 BB Bonds will be payable in lawful money of the United States of America. The Fiscal 2011 BB Bonds will be issued only as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof.

Optional Redemption

The Fiscal 2011 BB Bonds are subject to redemption prior to maturity at the option of the Authority from any moneys available therefor on and after June 15, 2020 in whole or in part, at any time, by lot at the redemption price of par plus accrued interest to the redemption date.

Notice of Redemption. Notice of redemption is to be given by first class mail, postage prepaid, at least ten days prior to the date fixed for redemption, to the registered owners of Fiscal 2011 BB 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 2011 BB Bonds, notice of redemption is to be sent to DTC, which may also waive the ten day notice period. If DTC requires a longer notice period, such notice of redemption is to be given in compliance with such requirement. No assurance can be given by the Authority that DTC and DTC participants will promptly transmit notices of redemption to Beneficial Owners. See “BOOK-ENTRY-ONLY SYSTEM.”

If, on any redemption date, moneys for the redemption of the Fiscal 2011 BB 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 2011 BB Bonds to be redeemed will cease to accrue from and after the redemption date and such Fiscal 2011 BB Bonds will no longer be considered to be Outstanding under the Second Resolution.

The notice of redemption may provide that the Fiscal 2011 BB 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.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Fiscal 2011 BB Bonds. The Fiscal 2011 BB 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 2011 BB Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC, in the aggregate principal amount of the Fiscal 2011 BB 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 Standard & Poor’s highest rating: AAA. 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 2011 BB Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Fiscal 2011 BB Bonds on DTC’s records. The ownership interest of each actual purchaser of each Fiscal 2011 BB Bonds (“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 2011 BB 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 2011 BB Bonds, except in the event that use of the book-entry system for the Fiscal 2011 BB Bonds is discontinued.

To facilitate subsequent transfers, all Fiscal 2011 BB 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 2011 BB 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 2011 AA Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Fiscal 2011 AA 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Fiscal 2011 AA 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 2011 BB 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 2011 BB 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 2011 BB 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.

DTC may discontinue providing its services as depository with respect to the Fiscal 2011 BB Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

Unless otherwise noted, the information contained in the preceding paragraphs of this subsection "Book-Entry-Only System" 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.

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the amount required during each Fiscal Year (ending June 30) shown below for the payment of the principal of and the interest (including the Accreted Value of all Capital Appreciation Bonds) on Outstanding First Resolution Bonds and Second Resolution Bonds assuming that all adjustable rate bonds bear interest at an average rate of 4.25% for Fiscal Year 2011 and for each Fiscal Year thereafter with interest computed on the basis of a 30-day month and a 360-day year. The schedule does not include debt service on any outstanding Commercial Paper Notes, and does not reflect interest subsidy payments from the federal government to the Authority on Build America Bonds pursuant to the Recovery Act.

Debt Service Requirements

Fiscal Year Ending June 30	Debt Service on Outstanding Authority First Resolution Bonds Bonds(1)	Debt Service on Outstanding Authority Second Resolution Bonds Bonds(2)(3)(4)	Fiscal 2011 BB Bonds		Debt Service on Second Resolution Bonds, including Fiscal 2011 BB Bonds Bonds(2)(3)(4)	Total Debt Service on First and Second Resolution Bonds (1)(2)(3)(4)
			Principal	Interest		
2011	\$ 578,672,366	\$ 838,544,510	\$ 530,000	\$ 7,148,252	\$ 846,222,762	\$ 1,424,895,128
2012	570,892,569	859,500,186	—	10,075,750	869,575,936	1,440,468,505
2013	534,801,484	872,383,984	—	10,075,750	882,459,734	1,417,261,217
2014	596,654,567	890,517,967	995,000	10,075,750	901,588,717	1,498,243,284
2015	665,867,741	836,540,148	1,025,000	10,045,900	847,611,048	1,513,478,789
2016	576,099,144	929,453,136	9,115,000	9,994,650	948,562,786	1,524,661,930
2017	619,944,450	906,739,981	2,615,000	9,630,050	918,985,031	1,538,929,481
2018	582,577,275	945,674,906	—	9,525,450	955,200,356	1,537,777,631
2019	660,027,666	864,483,954	4,720,000	9,525,450	878,729,404	1,538,757,070
2020	648,701,800	874,459,846	—	9,289,450	883,749,296	1,532,451,095
2021	646,301,615	877,028,727	—	9,289,450	886,318,177	1,532,619,792
2022	700,561,971	798,512,813	—	9,289,450	807,802,263	1,508,364,234
2023	748,527,584	750,585,772	—	9,289,450	759,875,222	1,508,402,806
2024	718,215,946	769,377,870	—	9,289,450	778,667,320	1,496,883,266
2025	579,096,721	820,867,124	22,170,000	9,289,450	852,326,574	1,431,423,295
2026	766,790,606	730,098,594	—	8,380,950	738,479,544	1,505,270,150
2027	616,835,894	870,175,076	—	8,380,950	878,556,026	1,495,391,920
2028	724,173,688	760,934,332	—	8,380,950	769,315,282	1,493,488,970
2029	696,811,113	785,490,738	—	8,380,950	793,871,688	1,490,682,800
2030	630,988,219	745,007,851	82,405,000	8,380,950	835,793,801	1,466,782,020
2031	614,408,225	746,764,761	86,465,000	4,323,250	837,553,011	1,451,961,236
2032	786,245,356	736,872,092	—	—	736,872,092	1,523,117,448
2033	765,654,225	729,832,261	—	—	729,832,261	1,495,486,486
2034	742,718,825	753,720,433	—	—	753,720,433	1,496,439,258
2035	742,717,625	736,857,443	—	—	736,857,443	1,479,575,068
2036	795,377,038	714,910,557	—	—	714,910,557	1,510,287,595
2037	789,283,338	712,207,074	—	—	712,207,074	1,501,490,411
2038	783,172,338	711,952,371	—	—	711,952,371	1,495,124,708
2039	709,841,338	788,467,664	—	—	788,467,664	1,498,309,002
2040	413,292,150	1,058,904,423	—	—	1,058,904,423	1,472,196,573
2041	—	1,509,009,586	—	—	1,509,009,586	1,509,009,586
2042	—	1,157,666,911	—	—	1,157,666,911	1,157,666,911
2043	—	527,200,000	—	—	527,200,000	527,200,000
Total	<u>\$20,005,252,874</u>	<u>\$27,610,743,089</u>	<u>\$210,040,000</u>	<u>\$188,061,702</u>	<u>\$28,008,844,791</u>	<u>\$48,014,097,665</u>

Totals may not add due to rounding.

- (1) Does not include debt service on the First Resolution Bonds to be refunded with the proceeds of the Fiscal 2011 BB Bonds.
- (2) Net of projected subsidy, surplus and capitalized interest payments from EFC.
- (3) Does not reflect the interest subsidy on Build America Bonds provided by the federal government pursuant to the Recovery Act.
- (4) Includes debt service on the Fiscal 2011 AA Bonds expected to be issued on or about September 23, 2010.

RATINGS

Standard & Poor's Rating Services has rated the Fiscal 2011 BB Bonds "AA+," Fitch, Inc. has rated the Fiscal 2011 BB Bonds "AA+," and Moody's Investors Service, Inc. has rated the Fiscal 2011 BB Bonds "Aa2."

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 2011 BB Bonds.

FURTHER INFORMATION

The references herein and in the Fiscal 2011 AA Official Statement to and summaries of federal, State and local laws, including but not limited to the Code, the Constitution and laws of the State, the Act, the 1905 Act, the Clean Water Act, the SDWA, the Ban Act, the MPRSA, and documents, agreements and court decisions, including but not limited to the Lease, the Agreement, the Resolution and the Second Resolutions are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions. Copies of the Lease, the Agreement, the Resolution and the Second Resolutions are available for inspection during normal business hours at the office of the Authority.

Any statements in this Official Statement and the Fiscal 2011 AA Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement, the Fiscal 2011 AA Official Statement nor any statement which may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Fiscal 2011 BB Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of 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 2011 BB Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Fiscal 2011 BB Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Fiscal 2011 BB 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). A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Fiscal 2011 BB Bonds is less than the amount to be paid at maturity of such Fiscal 2011 BB Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Fiscal 2011 BB Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Fiscal 2011 BB Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Fiscal 2011 BB Bonds is the first price at which a substantial amount of such maturity of the Fiscal 2011 BB Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Fiscal 2011 BB Bonds accrues daily over the term to maturity of such Fiscal 2011 BB Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Fiscal 2011 BB Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Fiscal 2011 BB Bonds.

Beneficial Owners of the Fiscal 2011 BB Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Fiscal 2011 BB Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Fiscal 2011 BB Bonds in the original offering to the public at the first price at which a substantial amount of such Fiscal 2011 BB Bonds is sold to the public.

Fiscal 2011 BB Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 2011 BB 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 2011 BB 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 2011 BB Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Fiscal 2011 BB Bonds. The opinion of Bond Counsel assumes 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 2011 BB Bonds may adversely affect the value of, or the tax status of interest on, the Fiscal 2011 BB Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Fiscal 2011 BB 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 and 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 2011 BB 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 expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Fiscal 2011 BB 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 future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Fiscal 2011 BB Bonds. Prospective purchasers of the Fiscal 2011 BB Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Fiscal 2011 BB Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“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 has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Fiscal 2011 BB Bonds ends with the issuance of the Fiscal 2011 BB Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Fiscal 2011 BB 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 2011 BB 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 2011 BB Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Robert Thomas CPA, LLC, independent certified public accountants, have verified the accuracy of the arithmetical and mathematical computations concerning the adequacy of the amounts and escrow securities, including investment earnings thereon, and uninvested cash, if any, in the Escrow Accounts together with other funds available or scheduled to be available for such purposes to meet the anticipated redemption schedule and redemption price, and interest on the Refunded Bonds. Such verification of the arithmetical accuracy of the mathematical computations is based upon information and assumptions supplied by the Representative of the Underwriters (as defined below under "UNDERWRITING").

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Fiscal 2011 BB Bonds from the Authority at an aggregate price which is \$1,135,444 less than the initial offering price thereof. The obligations of the Underwriters are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Fiscal 2011 BB Bonds if any of the Fiscal 2011 BB Bonds are purchased. The Fiscal 2011 BB Bonds may be offered and sold to certain dealers (including dealers depositing the Fiscal 2011 BB Bonds into investment trusts) and others at prices lower than such public offering price and such public offering price may be changed, from time to time, by the Underwriters. The Underwriters have designated Rice Financial Products Company as their Representative.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the Fiscal 2011 BB Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Fiscal 2011 BB Bonds is 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 City and the Board by the City's Corporation Counsel. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP, New York, New York.

NEW YORK CITY MUNICIPAL WATER
FINANCE AUTHORITY

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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**FORM OF OPINION OF BOND COUNSEL
(Fiscal 2011 Series BB Bonds)**

September , 2010

New York City Municipal
Water Finance Authority

**New York City Municipal Water Finance Authority
Water and Sewer System Second General Resolution Revenue Bonds,
Fiscal 2011 Series BB
(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 of \$210,040,000 aggregate principal amount of Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2011 Series BB (the "2011 Series BB 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 March 30, 1994 entitled "Water and Sewer System Second General Revenue Bond Resolution," as amended and supplemented to the date hereof (the "Second Resolution"), including with respect to the 2011 Series BB Bonds by a supplemental resolution adopted September 13, 2010 entitled "Supplemental Resolution No. 74 Authorizing the Issuance of up to \$250,000,000 Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2011 Series BB" ("Supplemental Resolution No. 74") authorizing the 2011 Series BB Bonds. The 2011 Series BB Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has created under the terms of the Second Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Second Resolution, as then in effect, and without limitation as to amount except as provided in the Second Resolution or as may be limited by law. The 2011 Series BB Bonds are being issued for the purposes of the Second Resolution. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Second Resolution.

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

In such connection, we have reviewed the Second Resolution, Supplemental Resolution No. 74, the Authority's Water and Sewer System General Revenue Bond Resolution, adopted November 14, 1985 (the "First Resolution"), the Lease, the Financing Agreement, 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 Second Resolution, Supplemental Resolution No. 74, the First Resolution, the Lease, the Financing Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assume that future actions, omissions or events will not cause interest on the 2011 Series BB 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 2011 Series BB Bonds, the Second Resolution, Supplemental Resolution No. 74, the First 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 Second Resolution, Supplemental Resolution No. 74, the First 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 2011 Series BB 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 Second Resolution and Supplemental Resolution No. 74 and to issue the 2011 Series BB Bonds.

2. The Second Resolution and Supplemental Resolution No. 74 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 Second Resolution and Supplemental Resolution No. 74 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 Second Resolution, Supplemental Resolution No. 74 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 2011 Series BB Bonds have been duly and validly authorized and issued. The 2011 Series BB Bonds are valid and binding special obligations of the Authority payable as provided in the Second Resolution, are enforceable in accordance with their terms and the terms of the Second Resolution and are entitled, together with all other Bonds issued under the Second Resolution, to the benefits of the Second Resolution and the Act.

4. The 2011 Series BB Bonds are payable solely from the Revenues and other amounts pledged to such payment under the Second Resolution. The 2011 Series BB Bonds are not a debt of the State, the City or the Board and neither the State, the City, the Board nor any other political subdivision of the State is liable thereon.

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

6. The Revenues derived from the operation of the System are the property of the Board. The Financing Agreement validly transfers the right, title and interest of the Board in the Revenues to the Authority to the extent and as provided in the Financing Agreement, subject only to the provisions of the Act, the Financing Agreement and the Second 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 2011 Series BB Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the 2011 Series BB Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the 2011 Series BB Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the 2011 Series BB 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 2011 Series BB 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

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TABLE OF REFUNDED BONDS

The Authority expects to refund its Outstanding First Resolution Bonds specified below by providing for the payment of the principal of and interest on such Bonds on the respective dates as set forth in the column below. The refunding is contingent upon delivery of the Fiscal 2011 BB Bonds.

<u>Series</u>	<u>Maturity Date (June 15)</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount to be Refunded</u>	<u>Redemption Price</u>	<u>Redemption Date</u>	<u>CUSIP Number</u>
Fiscal 1999 Series A	2031	\$181,270,000	\$181,270,000	100%	November 1, 2010	64970KFS1
Fiscal 2001 Series D	2013	790,000	220,000	101	June 15, 2011	64970KPY7
	2014	4,035,000	1,130,000	101	June 15, 2011	64970KPZ4
	2015	4,260,000	1,195,000	101	June 15, 2011	64970KQA8
	2016	33,145,000	9,300,000	101	June 15, 2011	64970KQB6
	2017	10,510,000	2,945,000	101	June 15, 2011	64970KQD2
	2019	18,225,000	5,110,000	101	June 15, 2011	64970KQF7
	2025	80,490,000	22,585,000	101	June 15, 2011	64970KQJ9

