

NEW ISSUE

In the opinion of Nixon Peabody LLP, Bond Counsel to the Authority, under existing law, and assuming compliance with the tax covenants described herein, interest on the Refunding Bonds is, and interest on the Fiscal 2001 E Bonds, if and when issued, will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. However, Bond Counsel is of the opinion that interest on the Refunding Bonds is, and interest on the Fiscal 2001 E Bonds, if and when issued, will be included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that under existing law, interest on the Refunding Bonds is, and interest on the Fiscal 2001 E Bonds, if and when issued, will be exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York, as described more fully herein. See, however, "TAX EXEMPTION" herein regarding certain other tax considerations.

\$86,105,000
New York City
Municipal Water Finance Authority
Crossover Refunding Bonds,
2001 E Issue

Dated: Date of Delivery

Due: June 15, as shown below

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

Interest on the Refunding Bonds will accrue from their date of delivery and will be payable semiannually on each June 15th and December 15th commencing June 15, 2001. The Refunding Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof. The Refunding Bonds are subject to mandatory tender on June 15, 2010 (the "Tender Date"). Upon tender, each Refunding Bond will be exchanged for a Fiscal 2001 E Bond bearing the same interest rate, having the same maturity and of the same principal amount as such Refunding Bond. The Fiscal 2001 E Bonds will be subject to redemption prior to maturity as described herein. If, however, the Fiscal 2001 E Bonds are not issued on the Tender Date, the Refunding Bonds will be redeemed on such date at a redemption price of 100% of the principal amount thereof, plus accrued interest to the Tender Date. The proceeds of the Refunding Bonds are (i) to be held in escrow to the Tender Date and thereafter are expected to be applied to refund a portion of the Authority's Outstanding Water and Sewer Revenue Bonds and (ii) to be applied to pay certain costs of issuance.

\$12,685,000 Refunding Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>
2011	\$ 900,000	4.50 %	4.61%	2017	\$1,190,000	5.10 %	5.18%
2012	945,000	4.625	4.73	2018	1,255,000	5.125	5.23
2013	985,000	4.75	4.83	2019	1,320,000	5.125	5.27
2014	1,035,000	4.875	4.93	2020	1,385,000	5.25	5.32
2015	1,080,000	5.00	5.03	2021	1,455,000	5.25	5.33
2016	1,135,000	5.00	5.10				

\$6,010,000 5.25% Refunding Term Bonds due June 15, 2025 Yield 5.38%
\$67,410,000 5.125% Refunding Term Bonds due June 15, 2031 Yield 5.43%

The Refunding Bonds are special obligations of the Authority, payable solely from and secured by a pledge of and first lien on the proceeds of the Refunding Bonds and investment income thereon and a subordinate lien on certain moneys of the Authority as described herein. The Fiscal 2001 E Bonds, if and when issued, will be 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 Refunding Bonds are not, and the Fiscal 2001 E Bonds will not be, a debt of the State of New York, The City of New York or the New York City Water Board and neither the State of New York, The City of New York nor the New York City Water Board is liable on the Refunding Bonds or will be liable on the Fiscal 2001 E Bonds.

The Refunding Bonds are offered when, as and if issued by the Authority and received by the Underwriters and subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Willkie Farr & Gallagher, New York, New York. It is anticipated that the Refunding Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about May 15, 2001.

Merrill Lynch & Co.

First Albany Corporation

UBS PaineWebber Inc.

Bear, Stearns & Co. Inc.
Lehman Brothers

Dain Rauscher Inc.
JPMorgan
Salomon Smith Barney

Goldman, Sachs & Co.
Morgan Stanley

David Lerner Associates Inc.

Quick & Reilly

Roosevelt & Cross Incorporated

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Refunding 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 Refunding Bonds and, if given or made, such information or representation must not be relied upon. Information contained on the Authority's web page, or any other web page on the City's web site, is not a part of this Official Statement. Neither the delivery of this Official Statement nor the sale of any of the Refunding 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.

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

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OFFICIAL STATEMENT
\$86,105,000
New York City Municipal Water Finance Authority
Crossover Refunding Bonds,
2001 E Issue

INTRODUCTORY STATEMENT

The purpose of this Official Statement is to set forth certain information pertaining to the New York City Municipal Water Finance Authority (the "Authority"), a public benefit corporation duly created and existing under the New York City Municipal Water Finance Authority Act, as amended (the "Act"); the New York City Water Board (the "Board"), a public benefit corporation created and existing under Chapter 515 of the Laws of 1984, both of which laws were enacted by the Legislature of the State of New York (the "State"); the Authority's \$86,105,000 Crossover Refunding Bonds, 2001 E Issue (the "Refunding Bonds"); and the Authority's \$86,105,000 Water and Sewer System Revenue Bonds, Fiscal 2001 Series E (the "Fiscal 2001 E 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" to the Official Statement of the Authority dated April 27, 2001 prepared in connection with the issuance by the Authority of its Water and Sewer System Revenue Bonds, Fiscal 2001 Series C and D (the "Series C and D Official Statement"), portions of which are included herein by specific reference, as described below. *This Official Statement is not complete unless read in conjunction with the information from the Series C and D Official Statement included herein by specific reference.* See "INCLUSION BY SPECIFIC REFERENCE."

The Refunding Bonds will be issued by the Authority pursuant to its Crossover Refunding Bond Resolution, adopted on April 27, 2001 (the "Crossover Resolution"). United States Trust Company of New York will serve as trustee under the Crossover Resolution (in such capacity, the "Trustee") and will continue to serve as Trustee unless a successor is appointed in accordance with the Crossover Resolution. The Refunding Bonds are special obligations of the Authority payable solely from and secured by a pledge of the Authority to the Trustee made in the Crossover Resolution of (i) the moneys and investments and earnings on such investments held by the Trustee under the Crossover Resolution and (ii) the moneys or securities on deposit in the Subordinated Indebtedness Fund held under the Resolution (as defined below). The pledge of moneys or securities on deposit in the Subordinated Indebtedness Fund is subject and subordinate to the pledge thereof contained in (1) the Authority's Resolution and Second Resolution (as defined below), (2) all of the Authority's Commercial Paper Note Resolutions (Series One through Series Five) and (3) any other resolution of the Authority pursuant to which the Authority may hereafter authorize and issue bonds or notes secured by a pledge of the moneys and securities on deposit in the Subordinated Indebtedness Fund, if such resolution expressly provides that the pledge thereof is prior to the pledge of the Crossover Resolution. The Refunding Bonds are subject to mandatory tender on June 15, 2010 (the "Tender Date").

If on the Tender Date the Authority can satisfy the conditions to the issuance of the Fiscal 2001 E Bonds, the Fiscal 2001 E Bonds will be issued and exchanged for the Refunding Bonds. The Fiscal 2001 E Bonds, when and if issued on the Tender Date, will be issued under the Authority's Water and Sewer System General Resolution, adopted November 14, 1985, as amended (the "Resolution") and will be 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 (as defined below) relating to the use and application thereof.

Pursuant to a lease agreement (the "Lease") between the Board and The City of New York (the "City"), dated as of July 1, 1985, as amended, the Board has leased from the City its facilities for the collection, transmission and distribution of water (the "Water System") and its facilities for the collection, treatment and disposal of sewage (the "Sewer System") (collectively, the "System"). As required by the Act and the Lease, the System is operated and maintained by the Department of Environmental Protection of the City ("DEP"). The Board has also entered into a

financing agreement, dated as of July 1, 1985, as amended (the "Agreement"), with the Authority and the City for the financing of capital improvements to the System through the issuance of bonds, notes and other obligations (the "Bonds") under the Resolution or subordinate obligations of the Authority under its Water and Sewer System Second General Revenue Bond Resolution adopted March 30, 1994, as amended (the "Second Resolution"). Pursuant to the Lease and the Agreement, the Board has agreed to cause rates, fees and charges to be collected.

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 issued under the Resolution (excluding Refundable Principal Installments for the payment of which funds are held in trust) to become due in such Fiscal Year on Bonds, plus 100% of the operation and maintenance expenses of the System certified by the City and of Required Deposits (which includes the debt service on the Second Resolution Bonds and other subordinate debt) to the extent required to be paid from Revenues. The Agreement requires a report of the Rate Consultant setting forth its recommendations as to any revisions of the rates, fees and charges necessary or advisable to meet the requirements of the rate covenant. The Agreement also requires a Consulting Engineer to review the operation and maintenance of the System, and further requires the City to operate and maintain the System in accordance with the advice and recommendations of the Consulting Engineer. See "SECURITY FOR THE BONDS" in the Series C and D Official Statement.

Rates, fees and charges are imposed by the Board and are not subject to regulatory approval nor are they subject to other regulations under current law except for the rates charged to a limited class of upstate users, representing less than 1% of Revenues. See "THE SYSTEM—Governmental Regulation" and "RATES AND BILLINGS" in the Series C and D Official Statement.

The estimates and projections contained or included by specific reference into 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 or included by specific reference are subject to certain contingencies that cannot be quantified and are subject to the uncertainties inherent in any attempt to predict the results of future operations. Accordingly, such projections are subject to periodic revision which may involve substantial change. Consequently, the Authority makes no representation or warranty that these estimates and projections will be realized.

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

PLAN OF FINANCE

A portion of the proceeds of the Refunding Bonds are expected to be applied to redeem, on June 15, 2010, \$58,620,000 of the \$70,000,000 presently outstanding principal amount of the Authority's Water and Sewer Revenue Bonds, Fiscal 2000 Series B (the "Fiscal 2000 Series B Bonds"), maturing June 15, 2031 and \$28,885,000 of the \$140,655,000 presently outstanding principal amount of the Fiscal 2000 Series B Bonds maturing June 15, 2033 (collectively, the "Refunded Bonds"). Pursuant to the Crossover Resolution, the Authority will deposit proceeds of the Refunding Bonds into the Proceeds Fund to be held by the Trustee. The deposit will be invested and reinvested under a guaranteed investment contract provided by MBIA, Inc. (the "Guaranteed Investment Contract") so that sufficient moneys will be available to pay interest on the Refunding Bonds as it becomes due on and prior to the Tender Date and to pay the principal, redemption premium and interest on the Refunded Bonds on the Tender Date. Prior to such payment, the Refunded Bonds will remain Outstanding and will remain entitled to the benefit of the pledge and lien established by the Resolution, and to payment from Revenues of the System. The moneys in the Proceeds Fund, moreover, are not pledged to the payment of the Refunded Bonds and the owners of the Refunded Bonds have no lien on or other interest in the moneys in the Proceeds Fund. The Authority will direct the Trustee to redeem the Refunded Bonds on June 15, 2010 at the redemption price of 101% of par.

The Refunding Bonds may not be issued under the Crossover Resolution until all conditions precedent to the issuance of the Fiscal 2001 E Bonds required by the Resolution and the Authority's Forty-Eighth Supplemental Resolution, authorizing the issuance of the Fiscal 2001 E Bonds, have been satisfied, except for certain conditions to issuance of the Fiscal 2001 E Bonds that can only be satisfied on the Tender Date. See "THE REFUNDING BONDS AND FISCAL 2001 E BONDS — Conditions to Issuance of the Fiscal 2001 E Bonds" herein.

The Refunding Bonds are subject to mandatory tender on the Tender Date (i) in exchange for the Fiscal 2001 E Bonds in accordance with the Crossover Resolution or (ii) if the Fiscal 2001 E Bonds have not been delivered to the Trustee on the Tender Date, for redemption on the Tender Date at a redemption price of 100% of the principal amount thereof plus accrued interest to the Tender Date. The Authority is obligated to issue the Fiscal 2001 E Bonds if the conditions to the issuance thereof can be satisfied on the Tender Date. See "THE REFUNDING BONDS AND THE FISCAL 2001 E BONDS — Conditions to Issuance of the Fiscal 2001 E Bonds" herein.

If, as expected, the Fiscal 2001 E Bonds are delivered to the Trustee on the Tender Date, the available proceeds of the Refunding Bonds and earnings thereon will be applied to redeem the Refunded Bonds as described above. Otherwise, such proceeds will be used to effect the mandatory redemption of the Refunding Bonds on the Tender Date.

Simultaneously with the delivery of the Refunding Bonds, the Authority expects to deliver \$112,040,000 of its Water and Sewer System Revenue Bonds, Fiscal 2001 Series C (the "Fiscal 2001 C Bonds"), \$255,239,212.80 of its Water and Sewer System Revenue Bonds, Fiscal 2001 Series D (the "Fiscal 2001 D Bonds") and \$184,130,000 of its Water and Sewer System Revenue Bonds, Fiscal 2001 Series F (the "Fiscal 2001 F Bonds" and, together with the Fiscal 2001 C Bonds and the Fiscal 2001 D Bonds, the "Fiscal 2001 C, D and F Bonds").

The Fiscal 2001 C Bonds are being issued under the Resolution to reimburse banks for amounts to be drawn under irrevocable letters of credit to pay principal of and interest on approximately \$100,000,000 aggregate principal amount of the Authority's Outstanding Commercial Paper Notes. The Fiscal 2001 D Bonds are being issued under the Resolution to refund a portion of the Authority's Outstanding Water and Sewer System Revenue Bonds. The Fiscal 2001 F Bonds are being issued as adjustable rate demand bonds pursuant to the Resolution to refund a portion of the Authority's Outstanding Water and Sewer System Revenue Bonds. It is a condition to the issuance and delivery of the Refunding Bonds that the Fiscal 2001 C, D and F Bonds are also issued and delivered on the closing date.

INCLUSION BY SPECIFIC REFERENCE

Portions of the Series C and D Official Statement, subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

Security for the Bonds
The Authority
The Board
The Department of Environmental Protection
Capital Improvement and Financing Program¹
Financial Operations
Rates and Billing
The System
Economic, Social and Demographic Statistics
Litigation
Financial Advisors
Investments
Legality for Investment and Deposit
Financial Statements
Engineering Feasibility Report and Forecasted Cash Flows
Certain Legal Opinions
Appendix A – Letter of Metcalf & Eddy of New York, Inc., Consulting Engineers
Appendix B – Letter of Black & Veatch, LLP, Rate Consultants
Appendix C – Glossary and Summary of Certain Documents
Appendix D – Financial Statements

Any reference to the Fiscal 2001 C and D Bonds in the information included herein by specific reference should be read to be a reference to the Fiscal 2001 E Bonds unless the context thereof clearly indicates that such information is only applicable to the Fiscal 2001 C and D Bonds. Inasmuch as the Fiscal 2001 E Bonds are to be issued and delivered June 15, 2010, provisions of the Resolution could be amended in the interim as permitted thereby and by the Crossover Resolution. Such amendments could apply to the Fiscal 2001 E Bonds as well as Bonds Outstanding under the Resolution. The Crossover Resolution gives the owners of the Refunding Bonds certain rights in connection with the amendment of the Resolution which, in general, are commensurate with those held by owners of Bonds Outstanding under the Resolution. See "THE REFUNDING BONDS AND FISCAL 2001 E BONDS – Covenants for the Benefit of the Owners of the Refunding Bonds" and "Appendix B – Summary of Certain Provisions of the Crossover Resolution."

Descriptions of the Authority, the Board, the System and the CIP together with other information including summaries of the terms of the Resolution, the Agreement and the Lease are set forth in the Series C and D Official Statement. All references herein to the Crossover Resolution, the Resolution, the Agreement and the Lease are qualified by reference to such documents in their entirety, copies of which are available from the Authority. All references to the Refunding Bonds are qualified in their entirety by reference to the definitive bond forms, and the terms and provisions thereof contained in the Crossover Resolution.

¹Other than the information under the caption "Financing Program."

THE REFUNDING BONDS AND THE FISCAL 2001 E BONDS

Although the security for the Refunding Bonds and the Fiscal 2001 E Bonds differs, certain provisions of the Refunding Bonds and the Fiscal 2001 E Bonds are identical.

General

The Refunding Bonds initially delivered to the Underwriters will be dated their date of delivery. The Fiscal 2001 E Bonds will be dated June 15, 2010. The Refunding Bonds will mature on and bear interest payable on the dates and at the rates shown on the cover of this Official Statement. The Fiscal 2001 E Bonds will mature on the same dates and bear interest payable on the same dates and at the same rates as those indicated for the Refunding Bonds.

Principal, redemption premium, if any, and interest on the Refunding Bonds and the Fiscal 2001 E Bonds will be payable in lawful money of the United States of America. The Refunding Bonds and the Fiscal 2001 E Bonds will be issued only as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof.

Redemption of Refunding Bonds and Fiscal 2001 E Bonds

The Refunding Bonds and the Fiscal 2001 E Bonds are subject to identical redemption provisions for all periods on or after June 15, 2010.

Sinking Fund Redemption. The Refunding Bonds and the Fiscal 2001 E Bonds due June 15, 2025, are subject to mandatory redemption prior to maturity in part, by lot, in such manner as the Trustee may reasonably determine, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date, on June 15 in each of the years and in the respective principal amounts, as follows:

Refunding Bonds and the Fiscal 2001 E Bonds
maturing June 15, 2025

<u>Year</u>	<u>Amount</u>
2022.....	\$1,345,000
2023.....	1,420,000
2024.....	1,490,000
2025*.....	1,755,000

* Final Maturity

The Refunding Bonds and the Fiscal 2001 E Bonds due June 15, 2031, are subject to mandatory redemption prior to maturity in part, by lot, in such manner as the Trustee may reasonably determine, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date, on June 15 in each of the years and in the respective principal amounts, as follows:

Refunding Bonds and the Fiscal 2001 E Bonds
maturing June 15, 2031

<u>Year</u>	<u>Amount</u>
2026.....	\$ 1,850,000
2027.....	1,100,000
2028.....	1,160,000
2029.....	1,215,000
2030.....	1,280,000
2031*.....	60,805,000

* Final Maturity

Optional Redemption. The Refunding Bonds and the Fiscal 2001 E Bonds are subject to redemption prior to maturity at the option of the Authority from any moneys available therefore on and after June 15, 2011 in whole at any time or in part on any interest payment date, by lot, at the redemption prices (expressed as percentages of the principal amount of such Refunding Bonds or Fiscal 2001 E Bonds to be redeemed) set forth below plus accrued interest to the redemption date.

<u>Redemption period (both dates inclusive)</u>	<u>Optional Redemption Prices</u>
June 15, 2011 to June 14, 2012	101%
June 15, 2012 and thereafter	100%

Although the mandatory sinking fund and optional redemption provisions are a feature of the Refunding Bonds and the Fiscal 2001 E Bonds, the Refunding Bonds are not subject to mandatory sinking fund or optional redemption prior to the Tender Date. Accordingly, no Refunding Bonds will be redeemed through mandatory sinking fund payments or optional redemption and no source of payment for any redemption premium on the Refunding Bonds has been provided.

Notice of Redemption

Notice of redemption is to be given by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption, to the registered owners of Refunding Bonds or Fiscal 2001 E 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 Refunding Bonds or Fiscal 2001 E Bonds, notice of redemption is to be sent to 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 Refunding Bonds or Fiscal 2001 E 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 Refunding Bonds to be redeemed will cease to accrue from and after the redemption date and such Refunding Bonds will no longer be considered to be Outstanding under the Resolution.

Mandatory Tender and Exchange or Redemption of Refunding Bonds on June 15, 2010

The Refunding Bonds are subject to mandatory tender on the Tender Date (i) in exchange for the Fiscal 2001 E Bonds in accordance with the Crossover Resolution or (ii) if the Fiscal 2001 E Bonds have not been delivered to the Trustee on the Tender Date, for redemption on the Tender Date at a redemption price of 100% of the principal amount thereof plus accrued interest to the Tender Date. The Authority is obligated to issue the Fiscal 2001 E Bonds if the conditions to the issuance thereof can be satisfied on the Tender Date.

If on the Tender Date the Fiscal 2001 E Bonds are issued or if the Authority has sufficient funds to redeem the Refunding Bonds on the Tender Date, the Refunding Bonds will no longer be Outstanding under the Crossover Resolution and interest on the Refunding Bonds will cease to accrue from and after the Tender Date. In the event the Fiscal 2001 E Bonds cannot be issued on the Tender Date, and insufficient available moneys are on hand with the Trustee to redeem the Refunding Bonds at 100% of the principal amount thereof plus accrued interest to the Tender Date, then the Authority will be in default under the Crossover Resolution, the Refunding Bonds will remain Outstanding under the Crossover Resolution and will continue to accrue interest at their respective rates, and the owners thereof will have the rights conferred by the Crossover Resolution. See "Appendix B – Summary of Certain Provisions of the Crossover Resolution."

Conditions to Issuance of the Fiscal 2001 E Bonds

The Resolution contains certain conditions to the issuance of Bonds under it, including the Fiscal 2001 E Bonds, that must be met on or prior to the issue date of such Bonds. A number of these conditions to issuance of the Fiscal 2001 E Bonds will be satisfied at the time the Refunding Bonds are issued. Other conditions are not required to be met because the Fiscal 2001 E Bonds will constitute "Refunding Bonds" under the Resolution. There are, however, some conditions to issuance that can only be satisfied on the Tender Date, the issue date of the Fiscal 2001 E Bonds. These conditions are (i) delivery by the Authority of a certificate setting forth the Authority's Cash Flow Requirements as of the issue date and (ii) an opinion of Bond Counsel to the effect that:

- (a) The Authority has the right and power to adopt the Resolution under the Act;
- (b) the Resolution has been duly and lawfully adopted by the Authority and is enforceable against it;
- (c) the Resolution creates the valid pledge it purports to create;
- (d) the Fiscal 2001 E Bonds are valid and binding special obligations of the Authority; and
- (e) all other conditions required by the Resolution precedent to issuance of the Fiscal 2001 E Bonds have been met and the Fiscal 2001 E Bonds will have been duly and validly authorized and issued in accordance with the Act and the Resolution.

While certain of the opinions described above are contained in the approving opinion of Bond Counsel, the form of which is appended hereto as Appendix D, the Resolution requires that each of the opinions described above must also be rendered on June 15, 2010.

Covenants for the Benefit of the Owners of the Refunding Bonds

To protect the interests of the Holders of the Refunding Bonds the Authority has made certain covenants in the Crossover Resolution. More particularly, the Authority has covenanted:

- (i) so far as it may be authorized by law, to take such further action as may be necessary to cause the Fiscal 2001 E Bonds to be authenticated and delivered on the Tender Date;
- (ii) not to rescind or repeal the Forty-eighth Supplemental Resolution authorizing the Fiscal 2001 E Bonds;
- (iii) unless the Fiscal 2001 E Bonds can be issued as "Refunding Bonds" within the meaning of the Resolution, to consider the Fiscal 2001 E Bonds as outstanding under the Resolution for purposes of the additional Bonds test to be met in connection with the issuance of other Bonds under the Resolution that may be issued prior to the Tender Date;
- (iv) not to amend the Forty-eighth Supplemental Resolution or the Resolution in any manner that solely affects the Fiscal 2001 E Bonds and would require the consent of the registered owners of the Fiscal 2001 E Bonds if the Fiscal 2001 E Bonds were then outstanding under the Resolution, unless the consent of the registered owners of the Refunding Bonds has been obtained in such percentage as would have been required if the registered owners of the Refunding Bonds were registered owners of the Fiscal 2001 E Bonds and the Fiscal 2001 E Bonds were then outstanding under the Resolution;
- (v) not to amend the Resolution in any manner that would require the consent of the registered owners of the outstanding Bonds unless the consent of the registered owners of the percentage in principal amount of such registered owners have been obtained, calculated as though the Fiscal 2001 E Bonds were then outstanding; and

(vi) not to invest the money in the Proceeds Fund in any Eligible Investment other than the Guaranteed Investment Contract unless the Authority has obtained the written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical calculations establishing the adequacy of the cash and the maturing principal of and earnings on the Eligible Investment to pay the interest to become due on the Refunding Bonds on or prior to the Tender Date, to pay the redemption price of the Refunded Bonds on the Tender Date and, if the Fiscal 2001 E Bonds have not been issued on the Tender Date, to pay the Redemption Price of the Refunding Bonds on the Tender Date.

USE OF PROCEEDS

It is anticipated that the proceeds of the Refunding Bonds will be applied in the following manner:

Investment in Guaranteed Investment Contract.....	\$82,210,579
Original Issue Discount	\$ 3,256,900
Costs of Issuance	\$ 134,711
Underwriter's Discount.....	<u>\$ 502,810</u>
Total Uses of Proceeds	<u>\$86,105,000</u>

GUARANTEED INVESTMENT CONTRACT

To be an Eligible Investment under the Crossover Resolution, the provider or the guarantor of the provider's obligations under an investment agreement or guaranteed investment contract (a "Guaranteed Investment Contract") must, at the time the investment is made, be rated at least "AA" and "Aa2" by S&P and Moody's, respectively, and, if the provider or guarantor is rated by Fitch, "AA" by Fitch. However, the provider's obligations under the Guaranteed Investment Contract must be collateralized if at any time the provider or the guarantor is rated less than in the highest rating category of the required rating agencies. The proceeds of the Refunding Bonds deposited to the Proceeds Fund will be invested by the Trustee in a Guaranteed Investment Contract among MBIA Inc., the Trustee and the Authority at 5.9932 percent (5.9932%) per annum. The payment obligations of MBIA Inc. under the Guaranteed Investment Contract are insured by MBIA Insurance Corporation. MBIA INSURANCE CORPORATION DOES NOT INSURE, GUARANTEE OR OTHERWISE PROVIDE FOR PAYMENT OF PRINCIPAL, INTEREST OR OTHER AMOUNTS DUE ON THE REFUNDING BONDS IN THE EVENT OF NONPAYMENT BY THE AUTHORITY. The investment of such proceeds in the Guaranteed Investment Contract at the guaranteed yield has by verified by The Arbitrage Group, Inc. as sufficient to provide moneys to pay interest on the Refunding Bonds until the Tender Date and to provide sufficient moneys to refund the Refunded Bonds or redeem the Fiscal 2001 E Bonds as described above under the heading "PLAN OF FINANCE." Under the Crossover Resolution, the Authority is authorized to invest moneys in the Proceeds Fund in Eligible Investments other than the Guaranteed Investment Contract but has covenanted not to do so except in accordance with certain restrictions contained in the Crossover Resolution. See "THE REFUNDING BONDS AND THE FISCAL 2001 E BONDS — Covenants for the Benefit of the Owners of the Refunding Bonds."

BOOK-ENTRY ONLY FORM

DTC will act as securities depository for the Refunding Bonds. The Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for each maturity of the Refunding Bonds and the Fiscal 2001 E Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities

that its Participants deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to, the Refunding 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.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this section "Book-Entry Only Form" has been extracted from information given by DTC. Neither the Authority, the Trustee nor any of 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 OBLIGATION TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

It is expected that the Fiscal 2001 E Bonds will also be issued as fully-registered securities in the name of Cede & Co. and that they will be similarly treated by DTC.

FURTHER INFORMATION

The references herein and in the Series C and D Official Statement to and summaries of federal, State and local laws, and documents, agreements and court decisions, including but not limited to the Lease, the Agreement, the Resolution, the Second Resolution and the Crossover Resolution 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, the Second Resolution and the Crossover Resolution are available for inspection during normal business hours at the office of the Authority.

Any statements in this Official Statement and the Series C and D Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. None of this Official Statement, the Series C and D 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 Refunding Bonds.

TAX EXEMPTION

General

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Refunding Bonds and the Fiscal 2001 E Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Refunding Bonds and the Fiscal 2001 E Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Refunding Bonds. The Authority has covenanted in the Refunding Bond Resolution and the Forty-eighth Supplemental Resolution to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Refunding Bonds and the Fiscal 2001 E Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the Refunding Bonds is, and interest on the Fiscal 2001 E Bonds, which will be issued on the Tender Date unless certain conditions are not satisfied, will be, excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. However, interest on the Refunding Bonds is, and interest on the Fiscal 2001 E Bonds will be, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Bond Counsel is also of the opinion that the interest on the Refunding Bonds is, and interest on the Fiscal 2001 E Bonds will be, exempt, under existing law, from personal income tax of the State of New York and its political subdivisions, including The City of New York.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Refunding Bonds (the "Discount Bonds"), and the offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Refunding Bonds. Further, the original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of the accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Refunding Bonds or the Fiscal 2001 E Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

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

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

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

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

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. Neither the Refunding Bonds nor the Fiscal 2001 E Bonds are "qualified" obligations for this purpose.

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

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds \$2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the Refunding Bonds and the Fiscal 2001 E Bonds will constitute disqualified income for this purpose.

Changes in Federal Tax Law and Post Issuance Events. From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Refunding Bonds or the Fiscal 2001 E Bonds, and thus on the economic value of the Refunded Bonds or the Fiscal 2001 E Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Refunded Bonds or the Fiscal 2001 E Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Refunded Bonds or the Fiscal 2001 E Bonds may be proposed or enacted.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Refunding Bonds may affect the tax status of interest on the Refunding Bonds or the Fiscal 2001 E Bonds. The opinions as to the federal, State and local tax consequences described above related to the treatment of interest on the Fiscal 2001 E Bonds assume no change in the applicable law after issuance of the Refunding Bonds. Further, Bond Counsel expresses no opinion as to any federal, State or local tax law consequences with respect to the Refunded Bonds or the Fiscal 2001 E Bonds, or the interest thereon, if any action is taken with respect to the Refunding Bonds or the Fiscal 2001 E Bonds or the proceeds thereof upon the advice or approval of other counsel.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

To the extent that Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC") under the Securities and Exchange Act of 1934, as amended (the "1934 Act"), requires the Underwriters to determine, as a condition to purchasing the Refunding Bonds, that the Authority will covenant to the effect of the provisions here summarized (the "Undertaking"), and the Rule as so applied is authorized by a federal law that as so construed is within the powers of Congress, the Authority agrees with the record and beneficial owners from time to time of the Refunding Bonds or the Fiscal 2001 E Bonds (collectively, the "Bondholders") that it will:

- (1) within 240 days after the end of the 2001 Fiscal Year and each subsequent Fiscal Year, deliver to each nationally recognized municipal securities information repository and to any New York State information depository, core financial information and operating data for the prior Fiscal Year, including (i) the System's audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical financial and operating data concerning the System and the Revenues of the System generally of the type included in the Series C and D Official Statement under the captions "CAPITAL IMPROVEMENT AND FINANCING PROGRAM," "FINANCIAL OPERATIONS," "RATES AND BILLING" and "THE SYSTEM"; and

(2) provide in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to any New York State information depository, notice of any of the following events with respect to the Refunding Bonds and the Fiscal 2001 E Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) in the case of credit enhancement that is provided in connection with the issuance of the Refunding Bonds or the Fiscal 2001 E Bonds, unscheduled draws on such credit enhancement reflecting financial difficulties and substitution of credit providers, or their failure to perform;
- (d) unscheduled draws on debt service reserves reflecting financial difficulties;
- (e) adverse opinions or events affecting the exclusion from gross income for federal income tax purposes of interest on the Refunding Bonds or the Fiscal 2001 E Bonds;
- (f) modifications to rights of security holders;
- (g) bond calls;
- (h) defeasances;
- (i) release, substitution, or sale of property securing repayment of the securities;
- (j) rating changes; and
- (k) failure by the Authority to comply with clause (1) above.

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

Currently, there is no New York State information depository and the nationally recognized municipal securities information repositories are: Bloomberg Municipal Repository, P.O. Box 840, Princeton, New Jersey 08542-0840; Kenny Information Systems, Inc., 65 Broadway, 16th Floor, New York, New York 10006; Interactive Data, Attn: Repository, 100 William Street, New York, New York 10038, and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07042.

No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Undertaking or for any remedy for breach thereof, unless such Bondholder has filed with the Authority evidence of ownership and a written notice of and request to cure such breach, and the Authority has not complied within a reasonable time; provided, however, that any Proceeding challenging the adequacy of any information provided pursuant to paragraphs (1) and (2) above may be brought only by the Trustee or the holders of a majority in aggregate principal amount of the Refunding Bonds or Fiscal 2001 E Bonds affected thereby which at the time are Outstanding. All Proceedings may be instituted only as specified herein, in the Federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the Outstanding Bonds benefited by the same or a substantially similar covenant. No remedy may be sought or granted other than specific performance of the covenant at issue.

Any amendment to the Undertaking will take effect only if:

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

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

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

RATINGS

The Refunding Bonds have been rated "AA" by Standard & Poor's Ratings Services, "AA" by Fitch, Inc. and "Aa2" by Moody's Investors Service, Inc. Such ratings reflect only the views of the respective rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that any or all of such ratings will continue for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market price of the Refunding Bonds and the Fiscal 2001 E Bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Refunding Bonds from the Authority at a price which is \$502,810.15 less than the total of the initial offering prices. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Refunding Bonds if any of the Refunding Bonds are purchased. The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing the Refunding Bonds into investment trusts) and others at prices lower than such public offering prices and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters have designated Merrill Lynch, Pierce, Fenner and Smith Incorporated as their Representative.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The Arbitrage Group, Inc., a professional firm specializing in rebate and verification calculations, has verified the accuracy of (i) the arithmetical and mathematical computations concerning the adequacy of the amounts invested and to be reinvested in the Guaranteed Investment Contract and held under the Crossover Resolution to meet the anticipated redemption price and interest on the Refunded Bonds or to redeem the Refunding Bonds on the Tender Date as described above under the heading "PLAN OF FINANCE" and (ii) the mathematical computations of the yield on the Refunding Bonds. Such verification of the arithmetical accuracy of the mathematical computations is based upon information and assumptions supplied by the Authority.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Refunding Bonds is subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the City and the Board by the City's Corporation Counsel. Certain legal matters will be passed upon for the Underwriters by Willkie Farr & Gallagher, New York, New York.

NEW YORK CITY MUNICIPAL WATER
FINANCE AUTHORITY

By: /s/ Alan Anders
Treasurer

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APPENDIX A
DEFINITIONS

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DEFINITIONS

The following are definitions of certain of the terms defined herein or in the Crossover Resolution and used in this Official Statement.

Act means the New York City Municipal Water Finance Authority Act constituting Title 2A of Article 5 of the Public Authorities Law of the State, as amended.

Agreement means the Financing Agreement, dated as of July 1, 1985, pursuant to Section 1045-i of the Act, by and among the Authority, the Board and the City, as amended prior to the date of the Crossover Resolution and as the same may be further amended and supplemented.

Authority means the New York City Municipal Water Finance Authority, a body corporate and politic constituting a public benefit corporation created and existing under and by virtue of the Act.

Authorized Newspaper means *The Bond Buyer* or any other newspaper of general circulation or financial journal 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.

Authorized Representative means (i) in the case of both the Authority and the Board, the respective Chairman, Executive Director, Treasurer, Deputy Treasurer, Secretary or Assistant Secretary or any other person authorized by resolution of the Authority or the Board, as the case may be; and (ii) in the case of the City, the Mayor, unless a different city official is designated in the Crossover Resolution or in a Supplemental Resolution to perform the act or sign the document in question.

Board means the New York City Water Board, a body corporate and politic constituting a corporate municipal instrumentality of the State created and existing under and by virtue of the Act.

Bond Counsel means Nixon Peabody LLP or any attorney or a law firm, appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bondholder or *Holder* or any similar term, when used with reference to a Refunding Bond or Bonds, means any person who shall be the registered owner of any Outstanding Refunding Bond.

Bond Payment Date means each date on which interest or both principal and interest shall be due and payable on Outstanding Refunding Bonds according to their respective terms.

Business Day means any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York.

City means The City of New York.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Cost of Issuance Fund means the Fund so designated, created and established pursuant to the Crossover Resolution.

Crossover Resolution means the Crossover Refunding Bond Resolution of the Authority, adopted April 27, 2001, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, in its capacity as securities depository for the Refunding Bonds and its successor or successors and any other entity which may at any time be substituted in its place as securities depository for the Refunding Bonds pursuant to the Crossover Resolution.

Eligible Investments means:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) obligations to which the full faith and credit of the United States are pledged;

(iii) obligations of any agency, instrumentality or corporation of the United States of America which (at the time such investment is made) is rated in the highest rating category by S&P and Moody's (and Fitch, if then rated by Fitch) and is approved by the Authority;

(iv) 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) at least "AA" and "Aa2" by S&P and Moody's, respectively (and "AA" by Fitch, if the provider is then rated by Fitch); **provided, however**, that if the provider of such an investment agreement or guaranteed investment contract is rated lower than the highest rating category by S&P and Moody's (and Fitch, if the provider is then rated by Fitch), such investment agreement or guaranteed investment contract shall be (x) collateralized at 105% of the agreement or contract value by securities of the type described in clauses (i), (ii) and (iii) above, (y) such collateral must be marked-to-market by the Trustee or a custodian at least not less than weekly and (z) the Trustee or a custodian will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation; and

(v) repurchase agreements collateralized at 105% of the agreement value by securities described in clauses (i), (ii) or (iii) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated (at the time such agreement is entered into) at least "AA" and "Aa2" by S&P and Moody's, respectively (and "AA" by Fitch, if then rated by Fitch); **provided, however**, that (1) a specific written repurchase agreement governs the transaction, (2) the collateral is 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) such collateral must be marked-to-market by the Trustee or a custodian at least not less than weekly and the Trustee will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation and (4) the repurchase agreement meets the guidelines then applicable to such investments of each Rating Agency then maintaining a rating on Outstanding Refunding Bonds.

First General Resolution means the Water and Sewer System General Revenue Bond Resolution adopted by the Authority on November 14, 1985, as amended and supplemented in accordance therewith prior to the date of the Crossover Resolution and as the same may be amended or supplemented in accordance therewith and with the Crossover Resolution.

First General Resolution Trustee means the bank or trust company appointed as trustee pursuant to First General Resolution and having the duties, responsibilities and rights provided for in the First General Resolution, and its successor or successors, and any other corporation which may at any time be substituted in its place pursuant to the First General Resolution.

Fiscal 2001 Series E Bonds means the bonds of the Authority designated as "Water and Sewer System Revenue Bonds, Fiscal 2001 Series E" to be issued under the First General Resolution as authorized pursuant to the Forty-eighth Supplemental Resolution.

Fitch means Fitch, Inc. or any successor thereto; references to Fitch are effective so long as Fitch is a Rating Agency.

Forty-eighth Supplemental Resolution means the "Forty-eighth Supplemental Resolution Authorizing the Issuance of \$86,105,000 Water and Sewer System Revenue Bonds, Fiscal 2001 Series E", adopted April 27, 2001.

Lease means the Agreement of Lease, dated as of July 1, 1985, by and between the Board, as lessee and the City, as lessor, of the System, as amended prior to the date of the Crossover Resolution and as the same may be further amended and supplemented thereafter.

Moody's means Moody's Investors Service and any successor thereto; references to Moody's are effective so long as Moody's is a Rating Agency.

Outstanding, when used in reference to Refunding Bonds, means, as of a particular date, all Refunding Bonds authenticated and delivered under the Crossover Resolution except: (i) any Refunding Bond cancelled by the Trustee at or before such date; (ii) any Refunding Bond deemed to have been paid in accordance with the Crossover Resolution; (iii) any Refunding Bond in lieu of or in substitution for which another Refunding Bond shall have been authenticated and delivered pursuant to the Crossover Resolution and (iv) Refunding Bonds tendered or deemed tendered in accordance with the provisions of the Crossover Resolution.

Proceeds Fund means the fund so designated, created and established pursuant to the Crossover Resolution.

Rating Agency means each nationally recognized statistical rating organization that then has, at the request of the Authority, assigned a rating to Outstanding Refunding Bonds.

Record Date means the first day of any calendar month in which there occurs a Bond Payment Date.

Redemption Price, when used with respect to any Refunding Bond, means the principal amount of such Refunding Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Crossover Resolution.

Refunding Bond or Bonds means the Authority's Crossover Refunding Bonds, 2001 E Issue authorized pursuant to the Crossover Resolution.

S&P means Standard & Poor's Ratings Services or any successors thereto; references to S&P shall remain effective so long as S&P is a Rating Agency.

Series 2000B Bonds means \$58,620,000 of the Authority's Water and Sewer System Revenue Bonds, Fiscal 2000 Series B issued under the First General Resolution maturing June 15, 2031 and \$28,885,000 of the Authority's Water and Sewer System Revenue Bonds, Fiscal 2001 B issued under the First General Resolution maturing June 15, 2033.

State means the State of New York.

Subordinated Indebtedness Fund means the Subordinated Indebtedness Fund established under and pursuant to the First General Resolution.

Supplemental Resolution means any resolution of the Authority amending or supplementing the Crossover Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of the Crossover Resolution.

Tender Date means June 15, 2010.

Trustee means the bank or trust company appointed as Trustee for the Refunding Bonds pursuant to the Crossover Resolution and having the duties, responsibilities and rights provided for in the Crossover Resolution, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Crossover Resolution.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE CROSSOVER RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE CROSSOVER RESOLUTION

The following is a summary of certain provisions of the Crossover Resolution. Such summary does not purport to be complete and reference is made to the Crossover Resolution for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

Issuance of Additional Bonds by the Authority

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, so long as such bonds, notes or other obligations are not entitled to a charge or lien on the moneys and securities on deposit in the funds established under the Crossover Resolution.

(Section 2.13)

Pledge of Crossover Resolution

The Crossover Resolution provides for a pledge to the Trustee as security for the payment of the Refunding Bonds, subject only to provisions of the Crossover Resolution permitting the application of such pledge: (i) the moneys and investments and earnings on such investments held by the Trustee under the Crossover Resolution and (ii) the moneys or securities on deposit in the Subordinated Indebtedness Fund except that such pledge of the moneys or securities on deposit in the Subordinated Indebtedness Fund shall be subject and subordinate to the pledge thereof contained in (x) the Authority's (1) the First General Resolution, (2) Water and Sewer System Second General Revenue Bond Resolution, adopted March 30, 1994, as amended and supplemented, (3) Commercial Paper Note Resolution (Series One), adopted October 13, 1994, as amended and supplemented, (4) Commercial Paper Note Resolution (Series Two), adopted October 13, 1994, as amended and supplemented, (5) Commercial Paper Note Resolution (Series Three), adopted December 1, 1994, as amended and supplemented, (6) Commercial Paper Note Resolution (Series Four), adopted December 1, 1994, as amended and supplemented and (7) Commercial Paper Note Resolution (Series Five), adopted December 18, 1996, as amended and supplemented and (y) any other resolution of the Authority pursuant to which the Authority may authorize and issue bonds or notes secured by a pledge of the moneys and securities on deposit in the Subordinated Indebtedness Fund, if such resolution expressly provides that the pledge thereof is prior to the pledge of the Crossover Resolution. Such pledge is valid, binding and perfected from the time when the pledge attaches and the moneys and investments and earnings on such investments and other funds so pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected 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. The Refunding Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the moneys and investments and earnings on such investments held by the Trustee under the Crossover Resolution.

(Section 5.01)

Establishment of Proceeds Fund

A special fund designated the "Proceeds Fund" is established under the Crossover Resolution and shall be held and maintained by the Trustee. All moneys at any time deposited in the Proceeds Fund shall be held in trust for the benefit of the Holders of Refunding Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided the Crossover Resolution.

(Section 5.02)

Establishment of Cost of Issuance Fund

A special fund designated the "Cost of Issuance Fund" is established under the Crossover Resolution and shall be held and maintained by the Trustee. Amounts on deposit in the Cost of Issuance Fund shall be used to pay the costs relating the authorization, offering, sale and delivery of the Refunding Bonds. Amounts on deposit in the

Cost of Issuance Fund may be invested by the Trustee, upon written direction of an Authorized Representative, in Investment Securities (as such term is defined in the First General Resolution). Any amounts remaining on deposit in the Cost of Issuance Fund after all costs of issuance relating to the Bonds have been paid shall, upon receipt by the Trustee of a written direction of an Authorized Representative of the Authority, be transferred to the Construction Fund established under the First General Resolution.
(Section 5.03)

Application of Proceeds

If on the Tender Date the Fiscal 2001 Series E Bonds have been delivered to the Trustee, the Trustee shall, after making provision for the payment of interest due and payable on the Refunding Bonds on the Tender Date, withdraw from the Proceeds Fund an amount of money equal to the principal of, and the applicable redemption premium on, the Series 2000B Bonds then outstanding and shall pay such amount to the First General Resolution Trustee for application in accordance with the provisions of this paragraph, upon delivery to the Trustee of a certificate of an Authorized Representative of the Authority, dated the Tender Date, setting forth or stating:

- (i) the aggregate principal amount of Series 2000B Bonds outstanding on such date;
- (ii) the applicable redemption premium payable upon redemption of such Series 2000B Bonds on the Tender Date;
- (iii) that the Authority has given the First General Resolution Trustee irrevocable instructions to publish, in accordance with the provisions of the First General Resolution, a notice of redemption to redeem on the Tender Date the Series 2000B Bonds then outstanding and that the Authority has given to the First General Resolution Trustee the required written notice therefor;
- (iv) that the Authority has delivered to the First General Resolution Trustee the documents required by the First General Resolution to be delivered to the First General Resolution Trustee on or prior to the delivery of the Fiscal 2001 Series E Bonds; and
- (v) that the Authority has given the First General Resolution Trustee irrevocable instructions to authenticate and deliver the Fiscal 2001 Series E Bonds to the Trustee upon receipt of the payment to be made pursuant to the Crossover Resolution.

The moneys so paid to the First General Resolution Trustee shall be applied by it to the redemption on the Tender Date of the Series 2000B Bonds.

If on the Tender Date, the conditions to issuance of the Fiscal 2001 Series E Bonds have not been met in accordance with the Crossover Resolution, the Trustee shall apply the amounts on deposit in the Proceeds Fund to the payment of the Redemption Price of the Refunding Bonds plus accrued interest to such date.
(Section 5.04)

Payment of Principal and Interest

The Authority has covenanted in the Crossover Resolution to pay or cause to be paid, from the sources pledged to the payment thereof, the principal or Redemption Price of and interest on every Refunding Bond on the dates and at the places and in the manner mentioned in the Refunding Bonds according to the true intent and meaning thereof.

The Trustee shall, on each date on which interest on the Refunding Bonds is payable, pay from the Proceeds Fund to the persons entitled thereto the interest on Outstanding Refunding Bonds payable on such date.

If on any Bond Payment Date or on the Tender Date, there are insufficient moneys on deposit in the Proceeds Funds to pay the principal or Redemption Price and interest due and payable on such date, the Trustee shall submit a written requisition to the Authority and the First General Resolution Trustee which requisition shall

set forth the amount on deposit in the Proceeds Fund and the amount of the payment due on such date. Upon receipt of such a requisition, an Authorized Representation of the Authority shall instruct the First General Resolution Trustee to transfer from amounts on deposit in the Subordinated Indebtedness Fund, subject to the pledge of Crossover Resolution summarized herein under the caption "Pledge of Crossover Resolution", to the Trustee an amount equal to the deficiency set forth in the requisition.

(Sections 5.04 and 7.01)

Mandatory Tender

The Refunding Bonds are shall be subject to mandatory tender on the Tender Date by the Holders thereof (i) in exchange for the Fiscal 2001 Series E Bonds or (ii) if such Fiscal 2001 Series E Bonds have not been delivered to the Trustee on the Tender Date, for redemption on such Tender Date at a Redemption Price equal to the principal amount thereof plus accrued interest to such Tender Date. All Refunding Bonds, whether or not surrendered on or prior to the Tender Date, will be deemed tendered on such date.

(Section 6.01)

Covenant as to Rescission, Repeal or Amendment of Forty-eighth Supplemental Resolution

The Authority has covenanted in the Crossover Resolution that it will not rescind or repeal the Forty-eighth Supplemental Resolution prior to the Tender Date or the date on which no Refunding Bonds are Outstanding thereunder.

Except as provided in below, and subject to the rights of holders of notes and bonds issued pursuant to the First General Resolution, the Authority has covenanted not to modify or amend the First General Resolution or the Forty-eighth Supplemental Resolution in any manner that requires the consent of the holders of any percentage in principal amount of all notes and bonds outstanding under the First General Resolution or in any manner that requires the consent of any percentage in principal amount of the Fiscal 2001 Series E Bonds if the Fiscal 2001 Series E Bonds were then outstanding.

Neither the First General Resolution nor the Forty-eighth Supplemental Resolution shall be amended or modified in any manner which would require the consent of holders of all outstanding notes and bonds issued thereunder unless the consent thereto of at least the percentage in principal amount of the holders of such notes and bonds, computed in accordance with below, required by the First General Resolution to be obtained, has been obtained; **provided, however**, that no modification or amendment which adversely affects the source of or security for payment of only the Fiscal 2001 Series E Bonds shall be made without the consent of the Holders of all Outstanding Refunding Bonds. No amendment or modification of the First General Resolution or the Forty-eighth Supplemental Resolution which, if the Fiscal 2001 Series E Bonds were then outstanding, would require the consent of holders of outstanding Fiscal 2001 Series E Bonds, shall be made unless the consent thereto of the Holders of a percentage in principal amount of Outstanding Refunding Bonds at least equal to the percentage in principal amount of outstanding Fiscal 2001 Series E Bonds the consent of the holders of which is required by the First General Resolution to be obtained, has been obtained.

In computing the principal amount of notes and bonds outstanding under the First General Resolution for the purposes of this section, a principal amount of Fiscal 2001 Series E Bonds equal to the principal amount of Refunding Bonds then Outstanding shall be deemed to be outstanding. For purposes of this section, in computing the principal amount of notes and bonds outstanding under the First General Resolution, the consent of the holders of which have been obtained, the principal amount of Outstanding Refunding Bonds, the consent of the Holders of which have been obtained, shall be included.

Nothing in the Crossover Resolution shall prevent the Authority from amending or supplementing the First General Resolution or the Forty-eighth Supplemental Resolution in any manner in which the consent of holders of notes or bonds issued thereunder is not required or to provide for the issuance of notes or bonds pursuant to the First General Resolution as provided therein.

(Section 7.10)

Limitation on Additional First General Resolution Bonds

Unless at the time the Bonds are initially issued an Authorized Representative of the Authority has delivered to the Trustee a certificate to the effect that the Fiscal 2001 Series E Bonds are "Refunding Bonds" within the meaning of the First General Resolution and will upon issuance on the Tender Date comply with the provisions of the First General Resolution applicable to the issuance of "Refunding Bonds" thereunder, no notes or bonds shall be issued unless (i) the same may be issued without compliance with the First General Resolution, (ii) the same are issued in compliance with the First General Resolution or (iii) the same may be issued in accordance with the First General Resolution assuming for purposes of the calculation required to be made thereof that the Fiscal 2001 Series E Bonds are then Outstanding and that the Series 2000B Bonds are no longer Outstanding.
(Section 7.12)

Investment of Proceeds Fund

Subsequent to the initial investment of the moneys deposited in the Proceeds Fund, the Authority shall not invest or instruct the Trustee to invest moneys in the Proceeds Fund in any Eligible Investment other than the Guaranteed Investment Contract unless the Authority obtains a report of a firm of independent public accountants verifying the mathematical accuracy of the mathematic computation of the adequacy of the moneys, maturing principal amount and interest on such Eligible Investments to pay (i) interest on the Refunded Bonds as the same comes due on and prior to the Tender Date, (ii) the Redemption Price of the Series 2000B Bonds payable on the Tender Date and (iii) the Redemption Price of the Refunded Bond payable on the Tender Date if the Fiscal 2001 Series E Bonds have not been issued on the Tender Date.
(Section 7.13)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Crossover Resolution, the Authority may adopt at any time or from time to time Supplemental Resolutions: (a) to add additional covenants and agreements of the Authority, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Crossover Resolution; (b) to prescribe further limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (c) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Crossover Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Crossover Resolution; or (d) to confirm, as further assurance, any pledge under the Crossover Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Crossover Resolution, of any moneys, obligations, investments or funds.
(Section 9.01)

Supplemental Resolutions Effective With Consent of Holders of Bonds

The provisions of the Crossover Resolution may also be modified or amended at any time and from time to time by a Supplemental Resolution, subject to the consent of the Holders of Refunding Bonds in accordance with and subject to the Crossover Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Representative of the Authority.
(Section 9.02)

General Provisions Relating to Supplemental Resolutions

The Crossover Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Crossover Resolution. Nothing contained in the Crossover Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of the Crossover Resolution.

A copy of every Supplemental Resolution filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the Crossover Resolution, is authorized or permitted by the Crossover Resolution and is valid and binding upon the Authority.

The Trustee is authorized to accept delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized pursuant to the Crossover Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of the Crossover Resolution.

No Supplemental Resolution changing or modifying any of the rights or obligations of the Trustee shall become effective without the written consent of the Trustee.
(Section 9.03)

Powers of Amendment

Any modification or amendment of the Crossover Resolution and of the rights and obligations of the Authority and of the Holders of the Refunding Bonds under the Crossover Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Crossover Resolution, of the Holders of at least two-thirds (2/3) in principal amount of the Refunding Bonds Outstanding at the time such consent is given; **provided, however**, that if such modification or amendment will, by its terms, not take effect so long as any Refunding Bonds of any specified like maturity remain Outstanding, the consent of the Holders of such Refunding Bonds shall not be required and such Refunding Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Refunding Bonds under the Crossover Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Refunding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Refunding Bond, or shall reduce the percentages or otherwise affect the classes of Refunding Bonds the consent of the Holders of which is required to effect any such modification or amendment.

(Section 10.01)

Consent of Holders of Bonds

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Crossover Resolution to take effect when and as provided in the Crossover Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Holders of Refunding Bonds for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Holders of Refunding Bonds. Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Refunding Bonds specified in and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Crossover Resolution, is authorized or permitted by the Crossover Resolution, and is valid and binding upon the Authority, and (ii) a notice shall have been given as provided in the Crossover Resolution.

Any consent given by a Holder of Refunding Bonds shall be binding upon the Holder of the Refunding Bonds giving such consent and, anything in the Crossover Resolution to the contrary notwithstanding, upon any subsequent Holder of such Refunding Bonds and of any Refunding Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof). Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, and the Holders of all Refunding Bonds upon the filing with the Trustee of proof of the mailing of such notice.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Crossover Resolution and the rights and obligations of the Authority and of the Holders of the Refunding Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Representative of the Authority and the consent of the Holders of all of the Refunding Bonds then Outstanding, such consent to be given as provided in the Crossover Resolution, except that no notice to Holders of Refunding Bonds either by mailing or publication shall be required; provided, however, no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the written assent thereto of the Trustee in addition to the consent of the Refunding Bondholders.

(Section 10.03)

Events of Default

Events of default under the Crossover Resolution include: failure to pay the principal or Redemption Price of, or an installment of interest on, any Refunding Bond when the same shall become due and payable; default in the due and punctual performance of any of the other covenants, conditions or agreements contained in the Crossover Resolution or in the Refunding Bonds on the part of the Authority to be performed and such default shall continue for forty-five (45) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than a majority in principal amount of the Outstanding Refunding Bonds.

(Section 11.01)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Crossover Resolution the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Refunding Bonds, shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Refunding Bonds and the interest accrued thereon to be due and payable immediately. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable. If all defaults shall have been remedied to the satisfaction of the Trustee, the Trustee may with the written consent of the Holders of not less than a majority in principal amount of the Refunding Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences.

(Section 11.02)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Crossover Resolution, the Trustee may proceed, and upon the written request of the Holders of not less than a majority in principal amount of the Outstanding Refunding Bonds shall proceed (upon receiving indemnity to its satisfaction), to protect and enforce its rights and the rights of the Holders of the Refunding Bonds under the laws of the State or under the Crossover Resolution by such suits, actions or special proceedings in equity or at law as the Trustee shall deem most effectual to protect and enforce such rights.

(Section 11.03)

Limitation of Rights of Individual Holders of Bonds

No Holder of any of the Refunding Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Crossover Resolution, or for any other remedy under the Crossover Resolution, unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than a majority in principal amount of the Outstanding Refunding Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall

have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Crossover Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

(Section 11.07)

Defeasance

If the Authority shall pay or cause to be paid to the Holders of all Refunding Bonds then Outstanding, the principal or Redemption Price thereof and interest thereon, at the times and in the manner stipulated therein and in the Crossover Resolution, then, at the option of the Authority, expressed in an written instrument delivered to the Trustee, the pledge, covenants, agreements and other obligations of the Authority, and all other rights granted by the Crossover Resolution, to the Refunding Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver all such instruments to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the Authority all moneys, securities and funds held by it pursuant to the Crossover Resolution which are not required for the payment or redemption of Refunding Bonds not theretofore surrendered for such payment or redemption. Such moneys, investments and securities so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Crossover Resolution.

Refunding Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the paragraph above. All Outstanding Refunding Bonds of any maturity or a portion of a maturity shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the paragraph above if (i) in case any of said Refunding Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to publish as provided in the Crossover Resolution notice of redemption of such Refunding Bonds on said redemption date, (ii) there shall have been deposited with the Trustee either moneys, in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Refunding Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Refunding Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Refunding Bonds that the deposit required by (ii) above has been made with the Trustee and that said Refunding Bonds and coupons are deemed to have been paid in accordance with the Crossover Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, of and interest on said Refunding Bonds. Neither direct obligations of the United States of America nor moneys deposited with the Trustee pursuant to the Crossover Resolution nor principal or interest payments on any such direct obligations of the United States of America shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Refunding Bonds; **provided, however,** that any moneys received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, of and interest to become due on said Refunding Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required to pay the principal or Redemption Price, if applicable, and interest on such Refunding Bonds, as realized, be paid to the Authority by the Trustee free from any trust, pledge, lien, encumbrance or security interest created by the Crossover Resolution.

Anything in the Crossover Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Refunding Bonds which remain unclaimed for one (1) year after the date when all of the Refunding Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee after such date when all of the Refunding Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee to the Authority as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged; provided, however, that, before being required to make any such payment to the Authority, the Trustee may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

APPENDIX C

GUARANTEED INVESTMENT CONTRACT GUARANTOR

The payment obligations of MBIA Inc. under the Guaranteed Investment Contract are insured by MBIA Insurance Corporation (the "GIC Guarantor"). MBIA INSURANCE CORPORATION DOES NOT INSURE, GUARANTEE OR OTHERWISE PROVIDE FOR PAYMENT OF PRINCIPAL, INTEREST OR OTHER AMOUNTS DUE ON THE REFUNDING BONDS IN THE EVENT OF NONPAYMENT BY THE AUTHORITY.

As of December 31, 2000, the GIC Guarantor had admitted assets of \$7.6 billion (audited), total liabilities of \$5.2 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. Furthermore, copies of the GIC Guarantor's year-end financial statements prepared in accordance with statutory accounting practices are available without charge from the GIC Guarantor. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the GIC Guarantor or the Securities and Exchange Commission. The address of the GIC Guarantor is 113 King Street, Armonk, New York 10504. The telephone number of the GIC Guarantor is (914) 273-4545.

Moody's Investors Service, Inc. rates the financial strength of the GIC Guarantor "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the GIC Guarantor "AAA".

Fitch, Inc. rates the financial strength of the GIC Guarantor "AAA".

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APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

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FORM OF APPROVING OPINION OF BOND COUNSEL

May __, 2001

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$86,105,000 aggregate principal amount of Crossover Refunding Bonds, 2001 E Issue (the "Refunding Bonds") of the New York City Municipal Water Finance Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the New York City Municipal Water Finance Authority Act, being Title 2A of Article 5 of the Public Authorities Law of the State of New York, as amended (which, together with Section 1046 of the Public Authorities Law of the State, is referred to herein as the "Act").

The Refunding Bonds are issued under and pursuant to the Act and the Crossover Refunding Bond Resolution, 2001 E Issue of the Authority, adopted on April 27, 2001 (the "Crossover Resolution"). Capitalized terms used herein and not otherwise defined have the meanings given to them in the Crossover Resolution.

The Refunding Bonds are dated May 15, 2001 and mature on June 15 in each of the years and in the principal amounts, and bear interest at the respective rates per annum set forth below:

Year	Principal Amount	Rate	Year	Principal Amount	Rate
2011	\$ 900,000	4.500%	2018	\$ 1,255,000	5.125%
2012	945,000	4.625	2019	1,320,000	5.125
2013	985,000	4.750	2020	1,385,000	5.250
2014	1,035,000	4.875	2021	1,455,000	5.250
2015	1,080,000	5.000	2025	6,010,000	5.250
2016	1,135,000	5.000	2031	67,410,000	5.125
2017	1,190,000	5.100			

Interest on the Refunding Bonds is payable on June 15, 2001 and semiannually thereafter on December 15 and June 15 in each year.

The Refunding Bonds are issuable in the form of fully registered Bonds in the denomination of \$5,000 or integral multiples thereof. The Refunding Bonds are numbered "01E- ", followed by the number of the Refunded Bond. The Refunding Bonds shall be numbered consecutively from one upward.

The Refunding Bonds are being issued for the purpose of providing moneys for the redemption on June 15, 2010 of a portion of the Authority's Water and Sewer System Revenue Bonds, Fiscal 2000 Series B (the "Refunded Bonds").

The Refunding Bonds are payable solely from the moneys and Eligible Investments on held or set aside under the Crossover Resolution and the subordinate pledge of the Subordinated Indebtedness Fund established under the Authority's Water and Sewer System Revenue Bond Resolution, adopted November 14, 1985, as amended and supplemented (the "First General Resolution").

The Authority has authorized the issuance of its Water and Sewer System Revenue Bonds, Fiscal 2001 Series E (the "Fiscal 2001 E Bonds") under and pursuant to the Act, the First General Resolution and the Authority's Forty-eighth Supplemental Resolution Authorizing the Issuance of \$86,105,000 Water and Sewer System Revenue Bonds, Fiscal 2001 Series E (the "Forty-eighth Supplemental Resolution" and, together with the First General Resolution, the "Resolutions").

The Resolutions require that the Fiscal 2001 E Bonds be authenticated and delivered on June 15, 2010 if certain conditions are satisfied. The Fiscal 2001 E Bonds will mature at the times and in the principal amounts, bear interest at the rates and be subject to redemption prior to maturity as the Refunding Bonds.

If the Fiscal 2001 E Bonds are issued on June 15, 2010, the outstanding Refunding Bonds are to be exchanged for the Fiscal 2001 E Bonds of the same principal amount, maturity date and interest rate, all as provided in the Crossover Resolution, and from and after such date, the Refunding Bonds will no longer be outstanding and holders of the Refunding Bonds will have no rights with respect thereto (other than to receive Fiscal 2001 E Bonds in exchange therefor). If the Fiscal 2001 E Bonds have not been issued on June 15, 2010, the outstanding Refunding Bonds will be redeemed on such date at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, and from and after such date, the Refunding Bonds will cease to bear interest and the holders thereof will have no rights with respect thereto, other than to receive payment of the redemption price thereof.

The proceeds of the of the Refunding Bonds will be invested in Eligible Investments the principal of and interest on which will be sufficient to pay the interest on the Refunding Bonds as it becomes due to and including June 15, 2010 and, if the Fiscal 2001 E Bonds are not issued on such date, to pay the redemption price of the Refunding Bonds on June 15, 2010. If the Fiscal 2001 E Bonds are issued, the principal and interest on such Eligible Investments will be applied to the redemption of the Refunded Bonds.

The Fiscal 2001 E 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 First General Resolution, as then in effect, and without limitation as to amount *except* as provided in the First General Resolution or as may be limited by law. The Fiscal 2001 E are being issued for the purposes set forth in the Resolutions.

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

The Authority is authorized to issue Bonds, in addition to the Fiscal 2001 E Bonds, only upon the terms and conditions set forth in the First General Resolution, and such Bonds, when issued, shall, with the Fiscal 2001 E Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the First General Resolution.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, duly created and existing under the laws of the State with the right and lawful authority and power to adopt the Crossover Resolution, the First General Resolution and the Forty-eighth Supplemental Resolution, to issue the Fiscal 2001 E Bonds and to enter into the Financing Agreement.

2. The First General Resolution and the Forty-eighth 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 First General Resolution and the Forty-eighth Supplemental Resolution create the valid, binding and perfected pledges they purport to create of the Revenues and any moneys or securities on deposit in the Funds and Accounts created thereby, subject only to the provisions of the First General Resolution, the Forty-eighth 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 Crossover Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is a legal, valid and binding obligation of the Authority enforceable in accordance with its terms. The Crossover Resolution creates the valid, binding and perfected pledge it purports to create of the moneys or securities on deposit in the Funds created thereby and of the subordinate lien on the Subordinated Indebtedness Fund created under the First General Resolution.

4. The Refunding Bonds have been duly and validly authorized and issued. The Refunding Bonds are valid and binding special obligations of the Authority payable as provided in the Crossover Resolution, are enforceable in accordance with their terms and the terms of the Crossover Resolution and are entitled to the benefits of the Crossover Resolution and the Act.

5. The Fiscal 2001 E Bonds have been duly and validly authorized and issued. The Fiscal 2001 E Bonds, when and if issued on the June 15, 2010 upon compliance with the terms and conditions to issuance set forth in the Resolutions, will be legal, valid and binding special obligations of the Authority payable as provided in the First General Resolution, will be enforceable in accordance with their terms and the terms of the First General Resolution and will be entitled, together with all other Bonds issued under the First General Resolution, to the benefits of the First General Resolution and the Act. The Fiscal 2001 E Bonds are payable solely from the Revenue and other amounts pledged to such payment under the First General Resolution.

6. Neither the Refunding Bonds nor the Fiscal 2001 E Bonds are 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.

7. 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.

8. 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.

9. 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.

10. The Internal Revenue Code of 1986 (the "Code") imposes certain requirements which must be met subsequent to the issuance and delivery of the Refunding Bonds and the Fiscal 2001 E B Bonds for interest thereon to be and remain excluded from gross income for federal tax purposes. Noncompliance with such

requirements could cause the interest on the Refunding Bonds and the Fiscal 2001 E Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Refunding Bonds. Pursuant to the Forty-eighth Supplemental Resolution and the Crossover Resolution, the Authority has covenanted to maintain the exclusion from gross income of the interest on the Refunding Bonds and the Fiscal 2001 E Bonds pursuant to Section 103 of the Code, in furtherance thereof, to comply with the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Code, with respect to the Refunding Bonds and the Fiscal 2001 E Bonds and to provide for any required rebate to the United States.

11. Under existing law and assuming compliance with the aforementioned tax covenants, interest on the Refunding Bonds is, and interest on the Fiscal 2001 E Bonds, if issued on June 15, 2001, will be, excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest on the Refunding Bonds is not, and Fiscal 2001 E Bonds will not, be treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations for purposes of computing the alternative minimum tax on such corporations. Interest on the Refunding Bonds and the Fiscal 2001 E Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax on such corporations.

Interest on the Refunding Bonds is, and interest on the Fiscal 2001 E Bonds will be, exempt, under existing law, from personal income tax of the State of New York and its political subdivisions, including The City of New York.

The difference between the principal amount of the Refunding Bonds and, if issued, the Fiscal 2001 E Bonds (collectively, the "Discount Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of Refunding Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Refunding Bonds and Fiscal 2001 E Bonds. Further, the original issue discount accrues actuarially on a constant interest rate basis over the stated term of the Discount Bonds and the basis of each Discount Bond acquired at the initial offering price by its initial purchaser will be increased by the amount of the accrued original issue discount. The accrual or original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Discount Bonds, even though there will not be a corresponding cash payment.

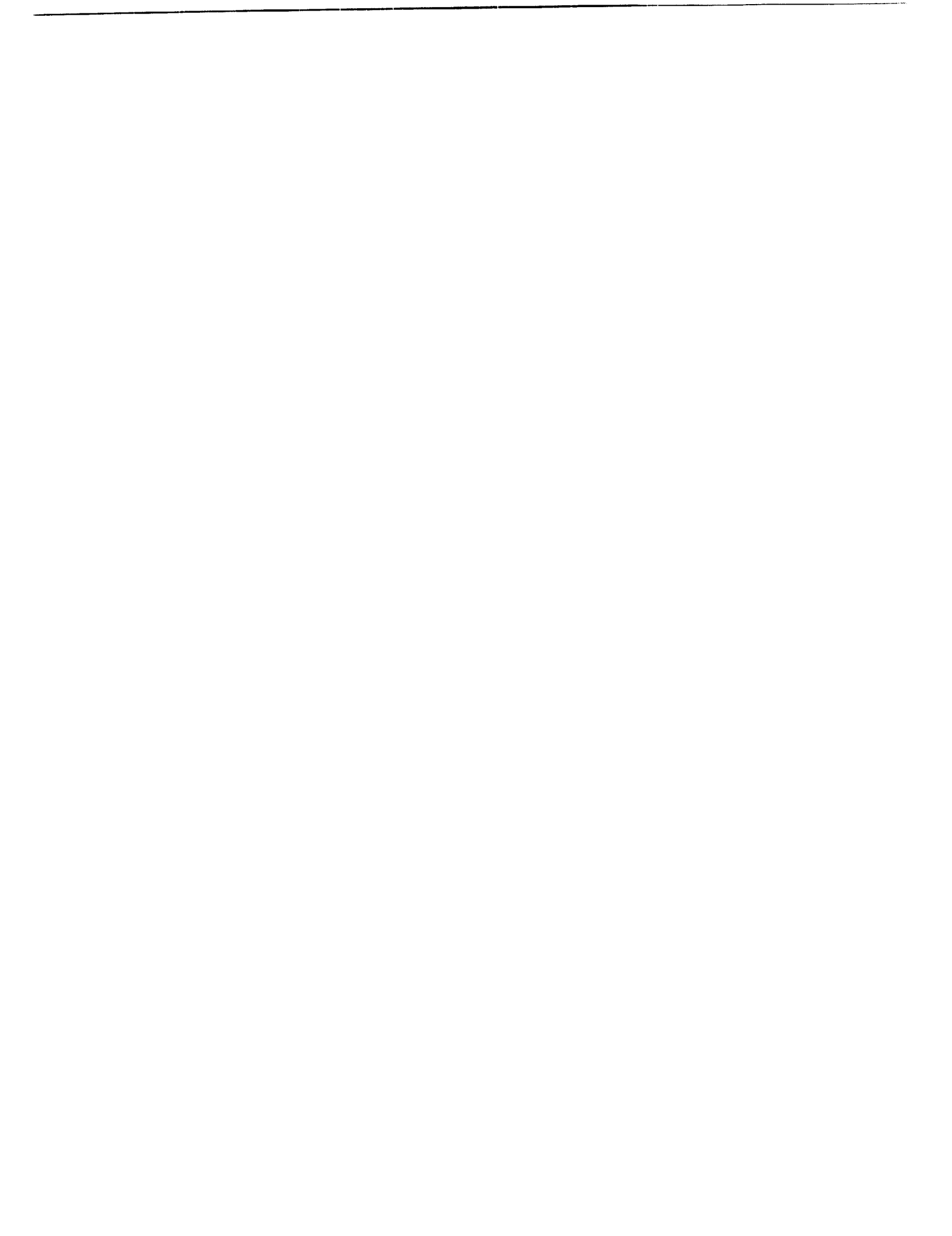
12. Under existing statutes, regulations, rulings and court decisions, a holder of a Refunding Bond who exchanges such Refunding Bonds for a Fiscal 2001 E Bond on or after June 15, 2010 will not, solely as a result of such exchange, recognize any gain or loss on such exchange for federal income purposes.

Except as stated in the preceding paragraphs, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Refunding Bonds or the Fiscal 2001 E Bonds. Furthermore, we express no opinion as to any federal state or local tax law consequences with respect to the Refunding Bonds or the Fiscal 2001 E Bonds, or the interest thereon, if any action is taken with respect to the Refunding Bonds or the Fiscal 2001 E Bonds or the proceeds thereof upon the advice or approval of other counsel.

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

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

Very truly yours,



124376

MSRB FORM G - 36 (OS) - FOR OFFICIAL STATEMENTS

SECTION I - MATERIALS SUBMITTED

- A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):
1. [X] A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES
2. [] AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d)
B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT...
C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE...

SECTION II - IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately.

If more space is needed to list additional issues, please include on a separate sheet and check here: []

Table with 3 columns: NAME OF ISSUER, DESCRIPTION OF ISSUE, and STATE/DATED/DATE. Row 1: NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY WATER AND SEWER SYSTEM REVENUE BONDS FISCAL 2001, CROSSOVER REFUNDING BONDS 2001 E ISSUE, NY, 05/15/2001.

SECTION III - TRANSACTION INFORMATION

- A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 06/15/2031
B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 04/27/2001
C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 05/15/2001
D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE: []
A separate Form G-36 (ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV - UNDERWRITER ASSESSMENT INFORMATION

The information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

- A. MANAGING UNDERWRITER Merrill Lynch & Co. SEC REG. NUMBER: 007691
B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING \$ 86,105,000
C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from the amount shown in item B above): \$
CHECK ALL THAT APPLY
1. [] At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.
2. [] At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.
3. [] This offering is exempt from SEC rule 15c2-12 under section (c) (1) of that rule. Section (c) (1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

SECTION V - CUSIP INFORMATION

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

A. CUSIP-9 NUMBERS OF THE ISSUE(S)

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
06/15/2011E	64970KQK6	06/15/2012E	64970KQL4	06/15/2013E	64970KQM2
06/15/2014E	64970KQN0	06/15/2015E	64970KQP5	06/15/2016E	64970KQQ3
06/15/2017E	64970KQR1	06/15/2018E	64970KQS9	06/15/2019E	64970KQT7
06/15/2020E	64970KQU4	06/15/2021E	64970KQV2	06/15/2025E	64970KQW0
06/15/2031E	64970KQX8				

B. IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW:

(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: _____

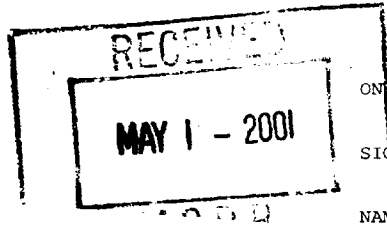
State the reason why such securities have not been assigned a "CUSIP-9": _____

C. IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT, PLEASE CHECK HERE:

State the reason why such securities are ineligible for CUSIP number assignment: _____

SECTION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED A _____ ISSEMINATED.



ON BEHALF

ON IV ABOVE

SIGNED: _____

NAME: _____

(PRINT NAME OF UNDERWRITER)

FAX: _____

NOTE: _____ instructions noted as in _____ D FOR

and two copies of the official statement or amended official statement must be submitted within the meaning of rule G-36.

to MSRB, MSIL System, 1640 King Street, Suite 300, Alexandria, Virginia