

## NEW ISSUE

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

# **\$300,300,000**

## **New York City**

# **Municipal Water Finance Authority**

**Water and Sewer System Revenue Bonds,  
Adjustable Rate Fiscal 2003 Series C  
consisting of**

**\$100,100,000 Fiscal 2003 Sub-Series C-1 Bonds**  
**\$100,100,000 Fiscal 2003 Sub-Series C-2 Bonds**  
**\$100,100,000 Fiscal 2003 Sub-Series C-3 Bonds**

**Dated: Date of Delivery**

**Due: June 15, 2018**

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

The Fiscal 2003 C Bonds will be issued in three sub-series (each a "Sub-Series"). The Fiscal 2003 C-1 Bonds will be issued in the aggregate principal amount of \$100,100,000 and will bear interest at a Daily Rate until converted to bear interest at a different Rate. The Fiscal 2003 C-2 Bonds will be issued in the aggregate principal amount of \$100,100,000 and will bear interest at the Initial Rate until July 17, 2002 and thereafter will bear interest at a Weekly Rate until converted to bear interest at a different Rate. The Fiscal 2003 C-3 Bonds will be issued in the aggregate principal amount of \$100,100,000 and will bear interest at a Daily Rate until converted to bear interest at a different Rate. See "THE FISCAL 2003 C BONDS—Conversion to an Alternate Rate Period." Interest accruing during the Initial Rate Period, a Daily Rate Period or a Weekly Rate Period will be payable on the 15th day of each calendar month, commencing July 15, 2002. Interest accruing during a Term Rate Period or the Fixed Rate Period will be payable on June 15 and December 15 of each year. Interest accruing during a Commercial Paper Rate Period of 270 days or less will be payable on the Reset Date. Interest accruing during a Commercial Paper Rate Period of more than 270 days will be payable on the next succeeding Reset Date or Conversion Date and the date which is 180 calendar days prior to such Reset Date or Conversion Date. During the Initial Rate Period, a Daily Rate Period, a Commercial Paper Rate Period or a Weekly Rate Period, the Fiscal 2003 C Bonds will be issuable in Authorized Denominations of \$100,000 or integral multiples of \$5,000 in excess thereof and, during a Term Rate Period or the Fixed Rate Period, the Fiscal 2003 C Bonds will be issuable in Authorized Denominations of \$5,000 or integral multiples thereof. Fiscal 2003 C Bonds bearing interest at a Daily Rate or a Weekly Rate may be tendered to the Tender Agent for purchase at the option of the Owner thereof under the circumstances described herein. The Fiscal 2003 C Bonds are also subject to mandatory tender and to redemption prior to maturity, as described herein. To the extent the Purchase Price is not provided by the remarketing of a Sub-Series of Fiscal 2003 C Bonds, the Purchase Price thereof will be paid pursuant to a Standby Bond Purchase Agreement between the Authority and the Facility Provider (as defined herein) with respect to such Sub-Series as set forth herein.

The proceeds of the Fiscal 2003 C Bonds are expected to be applied (i) to refund a portion of the Authority's Outstanding Water and Sewer System Revenue Bonds and (ii) to pay certain costs of issuance.

**Price 100%**

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

The Fiscal 2003 C Bonds are offered when, as and if issued by the Authority and received by the Underwriters and subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Willkie Farr & Gallagher, New York, New York. Certain legal matters will be passed upon for the Sub-Series C-1 and the Sub-Series C-3 Facility Providers by their special counsel, Fulbright & Jaworski L.L.P., and for the Sub-Series C-2 Facility Providers by their special counsel, King & Spalding and their respective foreign counsel described herein. It is anticipated that the Fiscal 2003 C Bonds will be available for delivery in New York, New York, on or about July 9, 2002.

**First Albany Corporation**  
Remarketing Agent for  
Fiscal 2003 Sub-Series C-1 Bonds

**Goldman, Sachs & Co.**  
Remarketing Agent for  
Fiscal 2003 Sub-Series C-2 Bonds

**UBS PaineWebber Inc.**  
Remarketing Agent for  
Fiscal 2003 Sub-Series C-3 Bonds

June 28, 2002

**\$300,300,000**

**New York City  
Municipal Water Finance Authority**

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

<u>Maturity</u>	<b>Fiscal 2003 C-1 Bonds<sup>(1)</sup></b> <u>Amount</u>	<b>Fiscal 2003 C-2 Bonds<sup>(2)</sup></b> <u>Amount</u>	<b>Fiscal 2003 C-3 Bonds<sup>(3)</sup></b> <u>Amount</u>
2018	\$100,100,000	\$100,100,000	\$100,100,000

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<sup>(1)</sup>First Albany Corporation is the Remarketing Agent for the Fiscal 2003 C-1 Bonds, supported by a Credit Facility provided by State Street Bank and Trust Company. See “THE FISCAL 2003 C BONDS—Credit Facilities” herein.

<sup>(2)</sup>Goldman, Sachs & Co. is the Remarketing Agent for the Fiscal 2003 C-2 Bonds, supported by a Credit Facility provided by The Bank of Nova Scotia, acting through its New York Agency (“Scotiabank”), and The Toronto–Dominion Bank, acting through its Houston Agency (“Toronto–Dominion”). The commitments of Scotiabank and Toronto–Dominion with respect to the Fiscal 2003 C-2 Bonds will be several but not joint, as described more fully herein. See “THE FISCAL 2003 C BONDS—Credit Facilities” herein.

<sup>(3)</sup>UBS PaineWebber Inc. is the Remarketing Agent for the Fiscal 2003 C-3 Bonds, supported by a Credit Facility provided by The Bank of New York. See “THE FISCAL 2003 C BONDS—Credit Facilities” herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Fiscal 2003 C Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of any of the Fiscal 2003 C 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 Fiscal 2003 C Bonds implies that there has been no change in the affairs of the Authority, the Board, the City or the Facility Providers 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 OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE FISCAL 2003 C 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

\$300,300,000

New York City Municipal Water Finance Authority  
Water and Sewer System Revenue Bonds,  
Adjustable Rate Fiscal 2003 Series C  
consisting of  
**\$100,100,000 Fiscal 2003 Sub-Series C-1 Bonds**  
**\$100,100,000 Fiscal 2003 Sub-Series C-2 Bonds**  
**\$100,100,000 Fiscal 2003 Sub-Series C-3 Bonds**

### INTRODUCTORY STATEMENT

The purpose of this Official Statement is to set forth certain information pertaining to the New York City Municipal Water Finance Authority (the “Authority”), a public benefit corporation duly created and existing under the New York City Municipal Water Finance Authority Act, as amended (the “Act”); the New York City Water Board (the “Board”), a public benefit corporation created and existing under Chapter 515 of the Laws of 1984, both of which laws were enacted by the Legislature of the State of New York (the “State”); and the Authority’s \$300,300,000 Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2003 Series C (the “Fiscal 2003 C Bonds”), consisting of \$100,100,000 Fiscal 2003 Sub-Series C-1 Bonds (the “Fiscal 2003 C-1 Bonds”), \$100,100,000 Fiscal 2003 Sub-Series C-2 Bonds (the “Fiscal 2003 C-2 Bonds”) and \$100,100,000 Fiscal 2003 Sub-Series C-3 Bonds (the “Fiscal 2003 C-3 Bonds”). Capitalized terms used in this Official Statement and not defined herein shall have the meanings ascribed thereto in “APPENDIX F—GLOSSARY” herein or in “APPENDIX C—GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS” in the Series A and B Official Statement (as defined herein).

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

The Fiscal 2003 C Bonds will be issued by the Authority pursuant to the Resolution, and its Fifty-ninth Supplemental Resolution adopted on June 20, 2002 (the “Supplemental

Resolution”). The Resolution and the Supplemental Resolution are collectively referred to herein as the “Resolutions.” The Bank of New York serves as trustee under the Resolutions (in such capacity, the “Trustee”) and will continue to serve as Trustee until a successor is appointed by the Bondholders in accordance with the Resolutions. The Authority has issued subordinate revenue bonds (the “Second Resolution Bonds”) pursuant to its Water and Sewer System Second General Revenue Bond Resolution adopted on March 30, 1994, as amended (the “Second Resolution”).

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

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

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

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

## **PLAN OF FINANCING**

Simultaneously with the delivery of the Fiscal 2003 C Bonds, the Authority expects to deliver \$741,090,000 of its Water and Sewer System Revenue Bonds, Fiscal 2003 Series A (the “Fiscal 2003 A Bonds”) and \$150,000,000 of its Water and Sewer System Revenue Bonds, Fiscal 2003 Series B (the “Fiscal 2003 B Bonds”).

A portion of the proceeds of the Fiscal 2003 C Bonds, together with a portion of the proceeds of the Fiscal 2003 A Bonds, is expected to be applied to refund a portion of the Authority’s Water and Sewer System Revenue Bonds, Fiscal 1993 Series A in the respective principal amounts set forth in Appendix G in the Series A and B Official Statement (the “Refunded Bonds”). Pursuant to an Escrow Agreement between the Authority and The Bank of New York (the “Escrow Trustee”), the Authority will irrevocably deposit cash and Defeasance Obligations in trust with the Escrow Trustee. The Defeasance Obligations will bear interest at such rates and will mature at such times and in such amounts so that, together with any uninvested cash held by the Escrow Trustee, sufficient moneys will be available to make full and timely payment of the maturing principal and Sinking Fund Installments of and redemption premium and interest on, the Refunded Bonds to their respective redemption dates. Upon such irrevocable deposit, the Refunded Bonds will no longer be deemed to be Outstanding and will no longer be entitled to the benefit of the pledge and lien established by the Resolution, or to payment from Revenues of the System. The Authority will direct the Trustee to redeem the Refunded Bonds on the dates and at the redemption prices set forth in Appendix G in the Series A and B Official Statement.

It is a condition to the issuance and delivery of the Fiscal 2003 C Bonds that the Fiscal 2003 A Bonds are also issued and delivered on the closing date.

## **INCLUSION BY SPECIFIC REFERENCE**

Portions of the Authority's Official Statement, dated June 20, 2002 delivered herewith and relating to the Authority's Water and Sewer System Revenue Bonds Fiscal 2003 Series A and Fiscal 2003 Series B (the "Series A and B Official Statement") subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

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

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

Descriptions of the Authority, the Board, the System and the CIP together with other information including summaries of the terms of the Resolution, the Agreement and the Lease are set forth in the Series A and B Official Statement. All references herein to the Resolution, the Agreement, the Lease and the Credit Facilities are qualified by reference to such documents in their entirety, copies of which are available from the Authority. All references to the Fiscal 2003 C Bonds are qualified in their entirety by reference to the definitive bond forms, and the terms and provisions thereof contained in the Resolutions.

## THE FISCAL 2003 C BONDS

### General

The Fiscal 2003 C Bonds will be issued in three sub-series (each a “Sub-Series”). The Fiscal 2003 C-1 Bonds will be issued in the aggregate principal amount of \$100,100,000 and will bear interest at a Daily Rate until converted to bear interest at a different Rate. The Fiscal 2003 C-2 Bonds will be issued in the aggregate principal amount of \$100,100,000 and will bear interest at the Initial Rate until July 17, 2002 and thereafter will bear interest at a Weekly Rate until converted to bear interest at a different Rate. The Fiscal 2003 C-3 Bonds will be issued in the aggregate principal amount of \$100,100,000 and will bear interest at a Daily Rate until converted to bear interest at a different Rate. The interest rate applicable to all or any portion of the Fiscal 2003 C Bonds may be converted to a Daily Rate, Commercial Paper Rate, Weekly Rate, Term Rate, or Fixed Rate. The Fiscal 2003 C Bonds will mature on June 15, 2018. The Fiscal 2003 C Bonds are subject to optional and mandatory redemption prior to maturity as described under “Redemption of Fiscal 2003 C Bonds” and to optional and mandatory tender for purchase as described under “Optional Tender for Purchase” and “Mandatory Tender for Purchase.” The Fiscal 2003 C Bonds will continue in a Rate Period until converted to another Rate Period and will bear interest at a rate determined in accordance with the procedures for determining the interest rate during such Rate Period. See “Conversion to an Alternate Rate Period” and “Interest Rates and Reset Dates” below.

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

The Bank of New York been appointed as Tender Agent for the Fiscal 2003 C Bonds. First Albany Corporation has been appointed as the exclusive Remarketing Agent for the Fiscal 2003 C-1 Bonds (the “Sub-Series C-1 Remarketing Agent”), Goldman, Sachs & Co. has been appointed as the exclusive Remarketing Agent for the Fiscal 2003 C-2 Bonds (the “Sub-Series C-2 Remarketing Agent”), and UBS PaineWebber Inc. has been appointed as the exclusive Remarketing Agent for the Fiscal 2003 C-3 Bonds (the “Sub-Series C-3 Remarketing Agent” and, collectively with the Sub-Series C-1 Remarketing Agent and the Sub-Series C-2 Remarketing Agent, the “Remarketing Agents”).

### Record Dates and Interest Payment Dates

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

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

*Bond Payment Dates.* Interest on the Fiscal 2003 C Bonds will be payable on the 15th day of each calendar month, commencing July 15, 2002, when the Fiscal 2003 C Bonds bear interest at the Initial Rate, a Daily Rate or a Weekly Rate and on June 15 and December 15 of each year when the Fiscal 2003 C Bonds are in a Term Rate Period or the Fixed Rate Period. Interest on the Fiscal 2003 C Bonds in a Commercial Paper Rate Period comprised of 270 days or less shall be paid on the next succeeding Reset Date or Conversion Date and interest on the Fiscal 2003 C Bonds in a Commercial Paper Rate Period comprised of more than 270 days shall be paid (i) on the next succeeding Reset Date or Conversion Date and (ii) the date which is 180 calendar days prior to such Reset Date or Conversion Date. If any such day is not a Business Day, then the Bond Payment Date will be the next succeeding Business Day. Interest payable on each Bond Payment Date for Fiscal 2003 C Bonds bearing interest in the Initial Rate Period, Daily Rate Mode, Commercial Paper Rate Mode or the Weekly Rate Mode shall be the interest accruing and unpaid through and including the day preceding such Bond Payment Date. Interest payable on each Bond Payment Date bearing interest in the Term Rate Mode or the Fixed Rate Mode shall be the interest accruing and unpaid through and including the respective June 14th or December 14th preceding such Bond Payment Date.

### **Conversion to an Alternate Rate Period**

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

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

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

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

### **Interest Rates and Reset Dates**

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

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

*Daily Rate Period.* The Daily Rate for each Sub-Series for any Business Day is to be determined by the Remarketing Agent for such Sub-Series and announced by 10:00 a.m., New York City time, on such Business Day and accrue through but not including the next succeeding Business Day.

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

*Weekly Rate Period.* Except as described below, the Weekly Rate is to be determined by the Remarketing Agent for the related Sub-Series and announced by 4:00 p.m., New York City time, on Wednesday of each week or, if Wednesday is not a Business Day, on the next succeeding Business Day. Each Weekly Rate will be in effect for a seven-day period

commencing on Thursday and continuing through the next succeeding Wednesday. However, if the Conversion Date upon which a Rate Period has been converted to a Weekly Rate Period is not a Thursday, the initial Weekly Rate will commence on the Conversion Date and will continue through the next succeeding Wednesday which may be less than seven days. The Weekly Rate for such Weekly Rate Period will be determined by the Remarketing Agent for the related Sub-Series and announced by 4:00 p.m., New York City time, on the Business Day before the Conversion Date.

If with respect to a Sub-Series (i) a Weekly Rate has not been determined by the Remarketing Agent for such Sub-Series, (ii) no Remarketing Agent for such Sub-Series shall be serving under the Resolutions, (iii) the Weekly Rate determined by the Remarketing Agent cannot for any reason be in effect or (iv) pursuant to the related Remarketing Agreement the Remarketing Agent is not then required to establish a Weekly Rate, the Weekly Rate will be the TBMA Municipal Index on the date such Weekly Rate was to have been determined by the Remarketing Agent.

*Commercial Paper Rate Period.* Except as described below, the Commercial Paper Rate is to be determined by the Remarketing Agent and announced by 12:30 p.m., New York City time, on the first day of each Commercial Paper Rate Period. Unless the Remarketing Agent specifies otherwise, each Commercial Paper Rate Period will be the shorter of (i) seven days, or (ii) the period remaining to and including the final maturity date of the Fiscal 2003 C Bonds. A Fiscal 2003 C Bond can have a Commercial Paper Rate Period, and bear interest at a Commercial Paper Rate, different from other Fiscal 2003 C Bonds in the Commercial Paper Rate Mode.

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

*Term Rate Period.* Except as described below, the Term Rate for any Term Rate Period is to be determined by the Remarketing Agent not later than one day prior to the Term Rate Period and will be in effect from the first day of such Term Rate Period through the day prior to the commencement of the next Rate Period. If the Remarketing Agent is unable to remarket all of the Fiscal 2003 C Bonds at the interest rate determined by the Remarketing Agent pursuant to the previous sentence, the Remarketing Agent may at any time prior to the Conversion Date or Reset Date increase the interest rate to that rate which would enable the Fiscal 2003 C Bonds to be sold on such Conversion Date or Reset Date at a price of par plus accrued interest. No less than twenty (20) Business Days prior to the commencement of each Term Rate Period, the Authority shall deliver to the Trustee and the Remarketing Agent written notice of the Authority's determination of the next succeeding Term Rate Period, which Term Rate Period shall end on a Business Day and shall not be the maturity date of such Fiscal 2003 C Bonds; provided, however, that if the Authority fails to specify the next succeeding Term Rate Period, such Term Rate Period shall be the shorter of (i) the same period as the immediately preceding

Term Rate Period, or (ii) the period remaining to and including the final maturity date of the Fiscal 2003 C Bonds.

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

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

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

### **Optional Tender for Purchase**

*General.* A Fiscal 2003 C Bond or any portion thereof equal to an Authorized Denomination may be tendered for purchase, at the Purchase Price, at the option of its registered owner on any Business Day during a Daily Rate Period or a Weekly Rate Period upon giving notice of the registered owner’s election to tender in the manner and at the times described below. Notice of an election to tender a Fiscal 2003 C Bond registered in the name of Cede & Co., as nominee of DTC, is to be given by the DTC Participant on behalf of the Beneficial Owner of the Fiscal 2003 C Bond and will not be given by DTC.

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

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

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

### **Mandatory Tender for Purchase**

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

(a) on each Conversion Date for Fiscal 2003 C Bonds being converted to a different Rate;

(b) on each Reset Date for so long as the Fiscal 2003 C Bonds bear interest in the Commercial Paper Rate Mode or the Term Rate Mode;

(c) on the last Business Day of the Daily Rate Period, the Weekly Rate Period, the Commercial Paper Mode or Term Rate Mode, as the case may be, next preceding the effective date of any expiration or earlier termination of the Credit Facility then in effect, if at least thirty (30) days prior to such termination date the Credit Facility has not been extended or a substitute Credit Facility has not been obtained; and

(d) on the substitution of a Credit Facility, if, solely as a result of such substitution, Moody’s, S&P and Fitch will reduce or withdraw the long-term or short-term ratings assigned to any portion of the Fiscal 2003 C Bonds.

(e) on the Business Day immediately preceding the date specified in the Notice of Default delivered by the Facility Provider in accordance with the provisions of the Credit Facility.

### **Fiscal 2003 C Bonds Deemed Purchased**

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

## **Purchase Price and Payment**

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

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

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

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

## **Remarketing of Fiscal 2003 C Bonds Upon Tender**

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

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

## **Credit Facilities**

The Authority is required to provide a Credit Facility for the benefit of the Owners of the Fiscal 2003 C Bonds for so long as such Fiscal 2003 C Bonds bear interest at the Initial Rate, a Daily Rate, a Weekly Rate or a Commercial Paper Rate. The Authority is also required to provide a Credit Facility during any Term Rate Period if solely as a result of the failure to

provide such a Credit Facility, the long-term ratings on any Fiscal 2003 C Bonds would be reduced by any Rating Agency.

To the extent the Purchase Price is not provided by the remarketing of Fiscal 2003 C-1 Bonds, the Purchase Price thereof will be paid pursuant to a Standby Bond Purchase Agreement (the “Sub-Series C-1 Standby Purchase Agreement”), between the Authority and State Street Bank and Trust Company (the “Sub-Series C-1 Facility Provider”).

To the extent the Purchase Price is not provided by the remarketing of Fiscal 2003 C-2 Bonds, the Purchase Price thereof will be paid pursuant to a Standby Bond Purchase Agreement (the “Sub-Series C-2 Standby Purchase Agreement”), among the Authority, The Bank of Nova Scotia, acting through its New York Agency (“Scotiabank”) and The Toronto-Dominion Bank, acting through its Houston Agency (“Toronto-Dominion”) (Scotiabank and Toronto-Dominion, collectively, the “Sub-Series C-2 Facility Providers”), and under which Scotiabank will also act as agent (the “Sub-Series C-2 Agent”). The obligations of the Sub-Series C-2 Facility Providers under the Sub-Series C-2 Standby Purchase Agreement are several but not joint. If one Sub-Series C-2 Facility Provider fails to pay its commitment percentage of the Purchase Price of any Sub-Series C-2 Bond, the other Sub-Series C-2 Facility Provider will not be obligated to make up that percentage of the Purchase Price. Each Sub-Series C-2 Facility Provider initially will have a 50% commitment percentage under the Sub-Series C-2 Standby Purchase Agreement.

To the extent the Purchase Price is not provided by the remarketing of Fiscal 2003 C-3 Bonds, the Purchase Price thereof will be paid pursuant to a Standby Bond Purchase Agreement (the “Sub-Series C-3 Standby Purchase Agreement” and, collectively with the Sub-Series C-1 Standby Purchase Agreement and the Sub-Series C-2 Standby Purchase Agreement, the “Standby Purchase Agreements”), between the Authority and The Bank of New York, (the “Sub-Series C-3 Facility Provider” and, collectively with the Sub-Series C-1 Facility Provider and the Sub-Series C-2 Facility Providers, the “Facility Provider”).

Each Standby Purchase Agreement represents a separate obligation of the Facility Provider for the related Sub-Series of Fiscal 2003 C Bonds and is a Credit Facility as defined in the Resolutions. The Purchase Price under each Standby Purchase Agreement is equal to the Outstanding principal of and up to 35 days’ interest on the applicable Sub-Series of the Fiscal 2003 C Bonds at an assumed interest rate of nine percent (9%) per annum on the basis of a 365 day year. The scheduled Termination Date of each Credit Facility is July 9, 2005.

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

Each Standby Purchase Agreement may be terminated by the respective Facility Provider immediately and without notice upon the occurrence of certain events of default (each a “Termination Event”). Termination Events include (i) failure of the Authority to pay when due

any amount payable on the Fiscal 2003 C Bonds or a default by the Authority in the payment of principal or of premium or interest on any other bond, note or other evidence of indebtedness of the Authority; (ii) insolvency of the Authority; (iii) a final, non-appealable judgment shall be issued by a court of competent jurisdiction that the Fiscal 2003 C Bonds or any other material provision of the Standby Purchase Agreement or the Resolutions shall cease to be valid and binding, or the Authority shall initiate legal proceedings or assert in legal proceedings that the Fiscal 2003 C Bonds or any material provision of such Standby Purchase Agreement or of the Resolutions is invalid or that the Authority has no liability thereon or (iv) the long-term ratings of the Fiscal 2003 C Bonds shall be withdrawn, suspended or reduced below “Baa3” by Moody’s, “BBB-” by S&P or “BBB-” by Fitch.

Additionally, each Sub-Series of Fiscal 2003 C Bonds is subject to mandatory tender at the option of the Facility Provider for such Sub-Series upon the occurrence of certain other events of default (each a “Tender Event”). Tender Events include (i) failure of the Authority to pay the fees provided for under such Standby Purchase Agreement, (ii) failure by the Authority to observe certain covenants contained in the Standby Purchase Agreement relating to maintenance of the existence of the Authority, amendment of the Agreement, the Remarketing Agreement, the Supplemental Resolution or the Fiscal 2003 C Bonds without the consent of the Facility Providers for such Sub-Series, or in the case of the Fiscal 2003 C-2 Bonds, the Sub-Series C-2 Agent or conversion of the Fiscal 2003 C Bonds to a Fixed Rate as described in the succeeding paragraph, (iii) any representation, warranty, certification or statement made by the Authority in the Standby Purchase Agreement, the General Resolution, the Agreement or the Lease shall prove to have been incorrect in any material respect when made or (iv) the occurrence of certain events of default under the General Resolution.

Each Standby Purchase Agreement requires the Authority to convert Fiscal 2003 C Bonds to the Fixed Rate on a date not more than six months from the date of receipt by the Authority of a notice from the Facility Provider for such Sub-Series, or in the case of the Fiscal 2003 C-2 Bonds, the Sub-Series C-2 Agent, directing such conversion following the occurrence of certain events (each a “Conversion Event”). Conversion Events include (i) the ratings assigned by Moody’s S&P or Fitch to the Fiscal 2003 C Bonds are withdrawn or reduced below “A3,” “A-” or “A-,” respectively, (ii) during any consecutive 12-month period, the product of (A) the principal amount of Fiscal 2003 C Bonds owned by the Facility Provider and (B) the number of calendar days during such 12-month period that such Fiscal 2003 C Bonds are owned by the Facility Provider exceeds the product of 90 and the average daily amount of the Available Allocated Principal Commitment for such Fiscal 2003 C Bond during such 12-month period, determined in accordance with the applicable Standby Purchase Agreement, (iii) Purchased Bonds remain outstanding for at least 90 days following the end of the Purchase Period, (iv) the occurrence of a Tender Event or (v) the Fiscal 2003 C Bonds held by the Facility Provider shall cease for any reason to be valid, binding and enforceable special obligations of the Authority or the Authority shall initiate legal proceedings or assert in legal proceedings that the Fiscal 2003 C Bonds are invalid or unenforceable or that the Authority has no liability thereon.

The preceding is a summary of certain provisions expected to be included in the Standby Purchase Agreements and the proceedings under which the Fiscal 2003 C Bonds are to be issued, and is subject in all respects to the underlying documents, copies of which will be available for inspection during business hours at the office of the Tender Agent. Information regarding the

Facility Providers is included herein as “APPENDIX E—DESCRIPTION OF THE FACILITY PROVIDERS.” Neither the Authority nor any Underwriter makes any representation with respect to the information in “APPENDIX E—DESCRIPTION OF THE FACILITY PROVIDERS.”

### **Substitution of Credit Facility**

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

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

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

### **Redemption of Fiscal 2003 C Bonds**

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

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

*Fiscal 2003 C Bonds – Sinking Fund Redemption.* The Fiscal 2003 C Bonds of each Sub-Series 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:

<u>Year</u>	<u>Fiscal 2003 C-1 Bonds</u> <u>Amount</u>	<u>Fiscal 2003 C-2 Bonds</u> <u>Amount</u>	<u>Fiscal 2003 C-3 Bonds</u> <u>Amount</u>	<u>Total</u>
2014	\$14,495,000	\$14,495,000	\$14,490,000	\$43,480,000
2015	4,940,000	4,940,000	4,940,000	14,820,000
2016	22,645,000	22,650,000	22,650,000	67,945,000
2017	17,315,000	17,310,000	17,315,000	51,940,000
2018 <sup>†</sup>	40,705,000	40,705,000	40,705,000	122,115,000

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<sup>†</sup> Final Maturity

There shall be credited against and in satisfaction of the Sinking Fund Installment payable on any date the principal amount of Fiscal 2003 C Bonds entitled to such Sinking Fund Installment (i) purchased with moneys in the Debt Service Fund, (ii) redeemed at the option of the Authority, (iii) purchased by the Authority and delivered to the Trustee for cancellation and (iv) deemed to have been paid in accordance the Resolution. Fiscal 2003 C Bonds purchased with moneys in the Debt Service Fund will be credited toward the next Sinking Fund Installment thereafter to become due. Fiscal 2003 C Bonds redeemed at the option of the Authority, purchased by the Authority (with moneys other than those on deposit in the Debt Service Fund) or deemed to have been paid in accordance with the Resolution shall be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments payable on such dates as the Authority shall specify in a written direction of the Authority delivered to the Trustee at least 15 days prior to the earliest date on which notice of redemption of the Fiscal 2003 C Bonds entitled to such Sinking Fund Installment may be given by the Trustee and the Sinking Fund Installment payable on each date specified in such direction shall be reduced by the principal amount of the Fiscal 2003 C Bonds so purchased, redeemed or deemed to have been paid in accordance the Resolution to be applied in satisfaction of such Sinking Fund Installment as set forth in such direction.

### **Selection of Bonds to be Redeemed**

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

### **Notice of Redemption**

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

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

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

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

	<b>DAILY RATE</b>	<b>WEEKLY RATE</b>	<b>COMMERCIAL PAPER RATE</b>	<b>TERM RATE</b>	<b>FIXED RATE</b>
Bond Payment Date	15th day of each calendar month	15th day of each calendar month	If Rate Period is 270 days or less, the next succeeding Reset Date or Conversion Date, and if Rate Period is more than 270 days (i) next succeeding Reset Date or Conversion Date and (ii) 180 days prior to such Reset Date or Conversion Date	June 15th and December 15th	June 15th and December 15 <sup>th</sup>
Days Interest	365-day or 366-day year for actual number of days elapsed	365-day or 366-day year for actual number of days elapsed	365-day or 366-day year for actual number of days elapsed	360-day year of twelve 30-day months	360-day year of twelve 30-day months
Record Date	Business Day prior to each Bond Payment Date	Business Day prior to each Bond Payment Date	Business Day prior to each Bond Payment Date	First day of the calendar month during which interest is payable	First day of the calendar month during which interest is payable
Reset Date	Not later than 10:00 a.m. on each Business Day	Not later than 4:00 p.m. on each Wednesday or, if not a Business Day, on the next Business Day	Not later than 12:30 p.m. on the first day of each Commercial Paper Rate Period	One Business Day prior to the first day of the Term Rate Period.	Conversion Date
Commencement of Rate Period	Reset Date or Conversion Date	On the Business Day following a Reset Date or Conversion Date	Reset Date or Conversion Date	Reset Date or Conversion Date	Conversion Date
Optional Tender Date	Any Business Day	Any Business Day	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Notice Period for Optional Tenders	Written notice not later than 11:00 a.m. on any Business Day	Written notice not later than 5:00 p.m. on any Business Day not less than seven days prior to the Tender Date	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Tender Date for Tendered Bonds (optional tender)	Not later than 1:00 p.m. on the Optional Tender Date	Not later than 1:00 p.m. on the Optional Tender Date	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Payment Date for Tendered Bonds (optional tender)	Not later than 2:30 p.m. on the Optional Tender Date	Not later than 2:30 p.m. on the Optional Tender Date	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Payment Date for Tendered Bonds (mandatory tender)	Not later than 2:30 p.m. on the Tender Date	Not later than 2:30 p.m. on the Tender Date	Not later than 2:30 p.m. on the Tender Date	Not later than 2:30 p.m. on the Tender Date	Not subject to mandatory tender

## USE OF PROCEEDS

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

Deposit to the Escrow Fund	\$300,014,247
Costs of Issuance*	260,368
Underwriters' Discount	25,385
Principal Amount of the Fiscal 2003 C Bonds	<u>\$300,300,000</u>

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\* Includes fees and expenses relating to the Credit Facilities.

## BOOK-ENTRY ONLY FORM

DTC will act as securities depository for the Fiscal 2003 C Bonds. The Fiscal 2003 C 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 Fiscal 2003 C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$400 million, one certificate will be issued with respect to each \$400 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such maturity.

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 Fiscal 2003 C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Fiscal 2003 C Bonds on DTC's records. The ownership interest of each actual purchaser of each Fiscal 2003 C 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 Fiscal 2003 C Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Fiscal 2003 C Bonds, except in the event that use of the book-entry system for the Fiscal 2003 C Bonds is discontinued.

To facilitate subsequent transfers, all Fiscal 2003 C 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 Fiscal 2003 C 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 Fiscal 2003 C 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 Fiscal 2003 C 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 Fiscal 2003 C 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 Fiscal 2003 C 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 Underwriter makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereto.

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

### **FURTHER INFORMATION**

The references herein and in the Series A and B 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 and the Second 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 and the Second Resolution are available for inspection during normal business hours at the office of the Authority.

Any statements in this Official Statement and the Series A and B 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 A and B Official Statement nor any statement which may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Fiscal 2003 C Bonds.

### **TAX EXEMPTION**

#### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Fiscal 2003 C

Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Fiscal 2003 C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Fiscal 2003 C Bonds. The Authority has covenanted in the Fifty-ninth Supplemental Resolution to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Fiscal 2003 C Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

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

### **State Taxes**

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

### **Certain Federal Tax Information**

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

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

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

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

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

*Financial Institutions.* The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain “qualified” obligations. The Fiscal 2003 C Bonds are not “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 Fiscal 2003 C 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 Fiscal 2003 C Bonds, and thus on the economic value of the Fiscal 2003 C Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Fiscal 2003 C Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Fiscal 2003 C Bonds may be proposed or enacted.

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

## **CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12**

For so long as the Fiscal 2003 C Bonds bear interest in a Rate Period other than the Initial Rate Period, a Daily Rate Period, a Weekly Rate Period or a Commercial Paper Rate Period of 270 days or less, and to the extent that Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (“SEC”) under the Securities and Exchange Act of 1934, as amended (the “1934 Act”), requires the Underwriters to determine, as a condition to purchasing the Fiscal 2003 C Bonds, that the Authority will covenant to the effect of the provisions here summarized (the “Undertaking”), and the Rule as so applied is authorized by a federal law that as so construed is

within the powers of Congress, the Authority agrees with the record and beneficial owners from time to time of the Fiscal 2003 C Bonds (“Bondholders”) that it will:

(1) within 240 days after the end of the 2002 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 A and B Official Statement under the captions “CAPITAL IMPROVEMENT AND FINANCING PROGRAM,” “FINANCIAL OPERATIONS” and “RATES AND BILLING” and “THE SYSTEM” in the Series A and B Official Statement and

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) in the case of credit enhancement that is provided in connection with the issuance of the Fiscal 2003 C 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 Fiscal 2003 C Bonds;
- (f) modifications to rights of security holders;
- (g) bond calls;
- (h) defeasances;
- (i) release, substitution, or sale of property securing repayment of the securities;
- (j) rating changes; and
- (k) failure by the Authority to comply with clause (1) above.

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

Currently, there is no New York State information depository and the nationally recognized municipal securities information repositories are: Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; FT Interactive Data, 100 William Street, New York, New York 10038 and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

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

Any amendment to the Undertaking will take effect only if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority or the Board, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of sale of the Bonds to the 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.

## **UNDERWRITING**

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Fiscal 2003 C Bonds from the Authority at an aggregate price which is \$25,385 less

than the total initial offering price. The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Fiscal 2003 C Bonds if any of the Fiscal 2003 C Bonds are purchased. The Fiscal 2003 C Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing the Fiscal 2003 C 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 UBS PaineWebber Inc. as their Representative.

### **APPROVAL OF LEGAL PROCEEDINGS**

The issuance of the Fiscal 2003 C 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. Certain legal matters will be passed upon for the Sub-Series C-1 Facility Provider and the Sub-Series C-3 Facility Provider by their special counsel, Fulbright & Jaworski L.L.P., and for the Sub-Series C-2 Facility Providers by their special counsel, King & Spalding and, in the case of Scotiabank, by Aird & Berlis and in the case of Toronto-Dominion, in-house counsel to Toronto-Dominion.

NEW YORK CITY MUNICIPAL WATER  
FINANCE AUTHORITY

By: /s/ Alan Anders  
Executive Director

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**DESCRIPTION OF STATE STREET BANK AND TRUST COMPANY  
(Sub-Series C-1 Facility Provider)**

State Street Bank and Trust Company (the “Bank”), a wholly-owned subsidiary of State Street Corporation (the “Corporation”), provides banking, securities processing and investment management services to a broad base of customers worldwide. The Bank combines information processing with banking to process and manage virtually all types of financial assets. In addition to financial processing services, the Bank provides a full range of capital market services to businesses and financial institutions in New England and selected national and international markets. At December 31, 2001, the Bank and its consolidated subsidiaries had total assets of \$69.896 billion, total deposits (including deposits in foreign offices) of \$38.559 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately \$5.283 billion and total equity capital of \$3.845 billion.

The Bank’s Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2001, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference in this Appendix and shall be deemed to be a part hereof.

In addition, all reports filed by the Bank pursuant to 12 U.S.C. §324 after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and the Bank is set forth in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2001. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Sub-Series C-1 Standby Purchase Agreement is an obligation of the Bank and not of the Corporation.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, 225 Franklin Street, Boston, Massachusetts 02110, (617) 786-3000.

Neither the Bank nor its affiliates make any representation as to the contents of this Official Statement (except as to this Appendix E-1), the suitability of the Fiscal 2003 C Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.

**DESCRIPTION OF THE BANK OF NOVA SCOTIA  
(Sub-Series C-2 Facility Provider)**

The Bank of Nova Scotia (“Scotiabank” or the “Bank”) was founded in 1832 in Halifax and currently employs 46,804 people in 2,005 branches and offices throughout the world. Scotiabank is a Canadian chartered bank with its principal office located in Toronto, Ontario.

Scotiabank’s activities include providing a full range of retail, commercial and corporate banking services through its extensive network of branches located in all Canadian provinces and territories. Outside Canada, Scotiabank has branches and offices in over 50 countries and provides a wide range of banking and related financial services, both directly and through subsidiary and/or associated banks, trust companies and other financial firms.

For the fiscal year ended October 31, 2001, Scotiabank recorded total assets of CDN\$284.4 billion (US\$180.2 billion) and total deposits of CDN\$186.2 billion (US\$118.0 billion). Net income for the fiscal year ended October 31, 2001 equaled CDN\$2.169 billion (US\$1.374 billion), compared to CDN\$1.926 billion (US\$1.220 billion) for the prior fiscal year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of October 31, 2001 (1.0000 United States dollar equals 1.5785 Canadian dollars).

For the quarter ended April 30, 2002, Scotiabank recorded total assets of CDN\$297.1 billion (US\$189.5 billion) and total deposits of CDN\$195.4 billion (US\$124.6 billion). Net income for the quarter ended April 30, 2002 equaled CDN\$571 million (US\$364 million), compared to CDN\$512 million (US\$327 million) for the same period the prior year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of April 30, 2002 (1.0000 United States dollar equals 1.5676 Canadian dollars).

Scotiabank will provide to anyone, upon written request, a copy of its most recent annual report, as well as a copy of its most recent quarterly financial report. Requests should be directed to: The Bank of Nova Scotia, New York Agency, One Liberty Plaza, 26th Floor, New York, NY, 10006. Attention: Public Finance Department.

**DESCRIPTION OF THE TORONTO-DOMINION BANK  
(Sub-Series C-2 Facility Provider)**

The Toronto-Dominion Bank, collectively with its subsidiaries referred to as TD Bank Financial Group (the “Bank”), is a Canadian chartered bank subject to the provisions of the Bank Act (Canada). The Bank was formed through the amalgamation on February 1, 1955 of The Bank of Toronto (established 1855) and The Dominion Bank (established 1869). As of January 31, 2002 the Bank was the second largest chartered bank in Canada in terms of assets.

The Bank offers a wide range of financial products and services to customers throughout Canada and around the world. The Bank is organized into four main businesses: TD Canada Trust, providing personal and commercial banking services in Canada; TD Securities, providing investment banking services in Canada, the United States and abroad; TD Waterhouse, providing brokerage services to self-directed investors in Canada, the United States and abroad; and TD Wealth Management, providing investment management services in Canada

Net income on a cash basis and excluding special items for the year ended October 31, 2001 was C\$2,158 million, compared to C\$2,018 million for the year ended October 31, 2000. Net Income on a cash basis and excluding special items for the three months ended January 31, 2002 was C\$526 million, compared to C\$569 million for the three months ended January 31, 2001.

At January 31, 2002, total assets of the Bank were C\$310.4 billion and total shareholders equity and minority interest was C\$14.8 billion.

**Recent Developments**

On November 15, 2001, the Bank announced the successful completion of its tender offer, through its wholly owned subsidiary, TD Waterhouse Holdings, Inc., for all of the approximately 12% of the outstanding shares of TD Waterhouse Group, Inc.’s common stock that the Bank and TD Waterhouse Holdings, Inc. do not already own. Total consideration was approximately C\$610 million.

On March 1, 2002 the Bank acquired the securities trading technology platform and listed equity options market-making businesses of the Stafford group of firms and LETCO, one of North America’s leading equity options market-making firms for an initial purchase of approximately US\$280 million with an additional consideration of up to US\$150 million contingent upon the businesses exceeding certain net income thresholds.

**Incorporation by Reference**

Copies of the Bank’s 2001 Annual Report and first quarter 2002 financial information are available, without charge, upon request by telephone or mail from The Toronto-Dominion Bank, U.S.A. Division, 31 West 52nd Street, New York, N.Y. 10019-6101, Attention: Comptroller,

Telephone (212) 827-7300. The 2001 Annual Statement and additional financial information are available under “Investor Relations” on the Bank’s website at [www.tdbank.ca](http://www.tdbank.ca).

**DESCRIPTION OF THE BANK OF NEW YORK  
(Sub-Series C-3 Facility Provider)**

The Bank of New York (the “Bank”) is the principal subsidiary of The Bank of New York Company, Inc. (NYSE: BK), a financial holding company (the “Company”). The Company provides a complete range of banking and other financial services to corporations and individuals worldwide through its basic businesses, namely, Securities Servicing and Global Payment Services, Corporate Banking, BNY Asset Management and Private Client Services, Retail Banking, and Financial Market Services. Additional information on the Company is available at [www.bankofny.com](http://www.bankofny.com).

The Bank was founded in 1784 by Alexander Hamilton and is the nation’s oldest bank. The Bank is a state chartered New York banking corporation and a member of the Federal Reserve System. Its business is subject to examination and regulation by federal and state banking authorities.

The Bank has long-term senior debt ratings of “AA-”/“Aa2” and short-term ratings of “A1+/P1” from Standard & Poor’s Ratings Services and Moody’s Investors Service, Inc., respectively.

The Bank’s principal office is located at One Wall Street, New York, New York 10286. A copy of the most recent annual report and 10-K of the Company may be obtained from the Bank’s Public Relations Department, One Wall Street, 31st Floor, (212) 635-1569 or by visiting the Bank’s website.

## GLOSSARY

Set forth below are definitions of certain terms contained in the Fifty-ninth Supplemental Resolution and not otherwise defined in this Official Statement or the Series A and B Official Statement.

**Available Allocated Commitment** as of any day means, with respect to each Sub-Series, the sum of the Available Allocated Principal Commitment and the Available Allocated Interest Commitment with respect to such Sub-Series, in each case as of such day. The sum of the Available Allocated Commitments for each Sub-Series shall not exceed the Total Commitment applicable thereto.

**Available Allocated Interest Commitment** for each Sub-Series means \$863,877 (in each case calculated assuming interest on the Allocated Principal Commitment at the rate of 9% per annum for 35 days on the basis of a 365-day year, actual days elapsed), and thereafter means such initial amounts adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Available Allocated Principal Commitment for such Sub-Series pursuant to the definition of “Available Allocated Principal Commitment” bears to the initial Available Allocated Principal Commitment for such Sub-Series and (b) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Allocated Principal Commitment for such Sub-Series pursuant to the definition of “Available Allocated Principal Commitment” bears to the initial Available Allocated Principal Commitment for such Sub-Series.

**Available Allocated Principal Commitment** for each Sub-Series means \$100,100,000, and thereafter in each case means such initial amount adjusted from time to time as follows: (a) downward by the amount of any termination or reduction of the Available Allocated Principal Commitment for such Sub-Series pursuant to the provisions of the applicable Standby Purchase Agreement; (b) downward by the principal amount of any Fiscal 2003 C Bonds of such Sub-Series purchased by the applicable Facility Provider; (c) upward by the principal amount of any Fiscal 2003 C Bonds (other than Fiscal 2003 C Bonds bearing interest at a Fixed Rate) of such Sub-Series theretofore purchased by the applicable Facility Provider, which are delivered for sale by such Facility Provider; and (d) downward by the amount of the Allocated Principal Commitment terminated pursuant to the provisions of the applicable Standby Purchase Agreement.

**Available Moneys** means (i) so long as a Credit Facility is required by the Resolution to be maintained, (a) moneys obtained by the Tender Agent from the Facility Provider thereof pursuant to such Credit Facility and held by the Tender Agent for payment of the Purchase Price of Fiscal 2003 C Bonds, (b) moneys derived from the remarketing of Fiscal 2003 C Bonds which are directly paid to and held by the Tender Agent for the payment of the Purchase Price of such Fiscal 2003 C Bonds, (c) moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least one hundred twenty-four (124) days prior to and during which no petition by or against the Authority, under the United States Bankruptcy Code of 1978, as

amended, 11 U.S.C. Sec. 101 et seq. (the “Bankruptcy Code”) shall have been filed or any bankruptcy or similar proceeding shall have been commenced, unless such petition or proceeding shall have been dismissed and such dismissal shall be final and not subject to appeal, (d) any other moneys the application of which to the payment of the Purchase Price of Fiscal 2003 C Bonds would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the Authority under the Bankruptcy Code and (e) the proceeds from the investment of moneys described in clauses (a) through (d) above, and (ii) at any other time, any moneys.

**Bond Payment Date** means an Interest Payment Date and a date on which the principal of a Fiscal 2003 C Bond is due and payable upon its maturity or its redemption through a mandatory Sinking Fund Installment, but the principal does not include the Purchase Price of Tendered Bonds or the Redemption Price of a Fiscal 2003 C Bond called for redemption at the option of the Authority.

**Commercial Paper Rate** means, with respect to each Fiscal 2003 C Bond in a Commercial Paper Rate Mode, the rate at which such Fiscal 2003 C Bond bears interest during the Commercial Paper Period applicable thereto, as established pursuant to the Resolutions.

**Commercial Paper Rate Mode** means a Rate Mode in which a Fiscal 2003 C Bond for its respective Commercial Paper Rate Period bears interest at a Commercial Paper Rate.

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

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

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

**Daily Rate** means the rate at which a Fiscal 2003 C Bond in a Daily Rate Mode bears interest, as established in accordance with the Resolutions.

**Daily Rate Mode** means a Rate Mode in which a Fiscal 2003 C Bond in such Rate Mode bears interest at a Daily Rate.

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

**Facility Provider** means (i) with respect to the Fiscal 2003 C-1 Bonds, initially, State Street Bank and Trust Company, (ii) with respect to the Fiscal 2003 C-2 Bonds, initially severally, but not jointly, The Bank of Nova Scotia, acting through its New York Agency, and The Toronto-Dominion Bank, acting through its Houston Agency, and (iii) with respect to the Fiscal 2003 C-3 Bonds, initially, The Bank of New York and (iv) any provider of any substitute or replacement credit facility in accordance with the provisions of the Resolutions.

**Fixed Rate** means the rate at which a Fiscal 2003 C Bond bears interest to its maturity during the Fixed Rate Period, as established in accordance with the Resolutions.

**Fixed Rate Mode** means a Rate Mode in which a Fiscal 2003 C Bond in such Rate Mode bears interest at a Fixed Rate.

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

**Initial Rate** means the rate of interest per annum which in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as the Fiscal 2003 C-2 Bonds and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of the Fiscal 2003 C-2 Bonds, would be the lowest interest rate that would enable the Fiscal 2003 C-2 Bonds to be sold on the first day of the Initial Rate Period at a price of par.

**Initial Rate Period** means with respect to the Fiscal 2003 C-2 Bonds, the period commencing on the Issue Date and ending no later than July 17, 2002.

**Interest Payment Date** means (i) during the Initial Rate Period, any Daily Rate Period, or any Weekly Rate Period, the fifteenth (15th) day of each month, commencing July 15, 2002, (ii) during any Commercial Paper Rate Period of 270 days or less, the next succeeding Reset Date or Conversion Date, (iii) during any Commercial Paper Rate Period of more than 270 days, the next succeeding Reset Date or Conversion Date and the date which is 180 calendar days prior to such Reset Date or Conversion Date and (iv) during any Term Rate Period or the Fixed Rate Period, each June 15 and December 15; provided, however, that interest on the Purchase Bonds shall be payable at the times required by the Credit Facility. If any such day is not a Business Day, then the Interest Payment Date shall be the next succeeding Business Day.

**Issue Date** means July 9, 2002.

**Mandatory Tender Date** means any date on which the Fiscal 2003 C Bonds are required to be purchased in accordance with the provisions of the Resolutions.

**Maximum Rate** means (i) in the case of Fiscal 2003 C Bonds bearing interest at a Rate other than the Purchased Bonds Rate shall mean the lesser of nine percent (9%) per annum and the maximum rate permitted by law or (ii) in the case of Fiscal 2003 C Bonds bearing interest at

a Purchased Bonds Rate the lesser of twenty-five percent (25%) per annum and the maximum rate permitted by law.

**Moody's** means Moody's Investors Service, Inc. and its successors and assigns.

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

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

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

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

**Purchase Period** means, with respect to each Sub-Series, the period from the Issue Date to and including the earliest of (i) the Scheduled Termination Date (or, if such date is not a Business Day, the Business Day immediately preceding such date), (ii) the date on which all Fiscal 2003 C Bonds of such Sub-Series have been paid in full (not including a defeasance in which such Fiscal 2003 C Bonds continue to be subject to optional or mandatory tender for purchase), redeemed, or converted to a Fixed Rate in accordance with the terms of such Fiscal 2003 C Bonds (the Purchase Period to include the date of conversion to a Fixed Rate) and (iii) the date on which the Available Allocated Commitment with respect to such Sub-Series is terminated pursuant to the provisions of a Standby Purchase Agreement.

**Purchase Price** means (i) when used in relation to Tendered Bonds other than Fiscal 2003 C Bonds tendered upon a conversion to the Fixed Rate Mode or Term Rate Mode, an amount equal to (a) one hundred percent (100%) of the principal amount of any Fiscal 2003 C

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

**Qualified Purchaser** means a Qualified Purchaser as such term may be defined in the Credit Facility.

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

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

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

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

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

**Reset Date** means, with respect to Fiscal 2003 C Bonds in any Daily Rate Mode, any Commercial Paper Rate Mode, any Weekly Rate Mode or any Term Rate Mode, the date on which the interest rate borne by such Fiscal 2003 C Bonds shall be determined in accordance with the Resolutions.

**Scheduled Termination Date** means July 9, 2005, the date that is three years from the Issue Date, subject to extension pursuant to the provisions of the Standby Purchase Agreement.

**Sub-Series** means the grouping of Fiscal 2003 C Bonds made pursuant to the Resolutions or any other grouping established by the Authority.

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

**Tender Agent** means the Trustee, who is appointed as Tender Agent pursuant to the Resolutions and having the duties, responsibilities and rights provided therein, and its successor or successors and any successor Trustee which may at any time be substituted in its place.

**Tendered Bond** means a Fiscal 2003 C Bond or portion thereof of an Authorized Denomination mandatorily tendered or tendered at the option of the Holder thereof for purchase in accordance with the provisions of the Resolutions, including a Fiscal 2003 C Bond or portion thereof deemed tendered, but not surrendered on the applicable Tender Date.

**Tender Notice** means the notice delivered by the Holders of Fiscal 2003 C Bonds subject to Optional Tender pursuant to the provisions of the Resolutions.

**Term Rate** means the rate at which a Fiscal 2003 C Bond bears interest during a Term Rate Period, as established in accordance with the Resolutions.

**Term Rate Mode** means a Rate Mode designated as such in a Conversion Notice, in which each Fiscal 2003 C Bond in such Rate Mode bears interest at a Term Rate.

**Term Rate Period** means a period commencing on the Conversion Date or a Reset Date and extending (i) to and including the next succeeding Reset Date which Reset Date must be a Business Day at least three hundred sixty-five (365) days from the Conversion Date or the immediately preceding Reset Date and (ii) to, but not including, the Conversion Date on which Fiscal 2003 C Bonds in the Term Rate Mode are converted to another Rate Mode, except as otherwise provided in the Resolutions.

**Total Commitment** means (i) with respect to the Fiscal 2003 C-1 Bonds, \$100,963,877 on behalf of the Sub-Series C-1 Facility Provider, (ii) with respect to the Fiscal 2003 C-2 Bonds, \$100,963,877 on behalf of the Sub-Series C-2 Facility Providers, each of which is severally responsible for 50% of such amount, and (iii) with respect to the Fiscal 2003 C-3 Bonds, \$100,963,877 on behalf of the Sub-Series C-3 Facility Provider.

**Weekly Rate** means the rate at which the Fiscal 2003 C Bonds bear interest during a Weekly Rate Period, as established in accordance with the Resolutions.

**Weekly Rate Mode** means a Rate Mode in which Fiscal 2003 C Bonds in such Rate Mode bear interest at a Weekly Rate.

**FORM OF OPINION OF BOND COUNSEL**

(Fiscal 2003 Series C Bonds)

, 2002

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$300,300,000 aggregate principal amount of Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2003 Series C (the “2003 Series C Bonds”) by the New York City Municipal Water Finance Authority (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York (the “State”), created and existing under and pursuant to the Constitution and statutes of the State, including the New York City Municipal Water Finance Authority Act, being Title 2-A of Article 5 of the Public Authorities Law of the State, as amended (which, together with Section 1046 of the Public Authorities Law of the State, is herein referred to as the “Act”).

The 2003 Series C Bonds are issued under and pursuant to the Act and a resolution of the Authority adopted November 14, 1985 entitled “Water and Sewer System General Revenue Bond Resolution,” as amended and supplemented to the date hereof (the “Resolution”), including by a resolution adopted June 20, 2002 entitled “Fifty-ninth Supplemental Resolution Authorizing the Issuance of \$300,300,000 Water and Sewer System Revenue Bonds, Adjustable Rate Fiscal 2003 Series C” (the “Fifty-ninth Supplemental Resolution”) authorizing the 2003 Series C Bonds. Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the Resolution.

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

The 2003 Series C Bonds are part of an issue of bonds of the Authority (the “Bonds”) which the Authority has created under the terms of the Resolution and is authorized to issue from

time to time for the purposes authorized by the Act and the Resolution, as then in effect, and without limitation as to amount except as provided in the Resolution or as may be limited by law. The 2003 Series C Bonds are being issued for the purposes set forth in the Resolution.

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

The 2003 Series C Bonds are dated the date hereof and mature on June 15, 2018 in the principal amount of \$300,300,000:

The Fiscal 2003 C-1 Bonds will initially bear interest at the Daily Rate, the Fiscal 2003 C-2 Bonds will initially bear interest at the Initial Rate until July 17, 2002 on which date they will bear interest at the Weekly Rate, and the Fiscal 2003 C-3 Bonds will initially bear interest at the Daily Rate. Interest on the 2003 Series C Bonds may be converted at the option of the Authority to or from a Commercial Paper Rate, Weekly Rate, Term Rate, or the Fixed Rate in the manner and upon the terms and conditions set forth in the Resolution. Interest on the Fiscal 2003 C Bonds will be payable on the 15th day of each calendar month when the Fiscal 2003 C Bonds bear interest at the Initial Rate, a Daily Rate Period or a Weekly Rate Period and on June 15 and December 15 of each year when the Fiscal 2003 C Bonds are in a Term Rate Period or the Fixed Rate Period. Interest on Fiscal 2003 C Bonds in a Commercial Paper Rate Period comprised of 270 days or less shall be paid on the next succeeding Reset Date or Conversion Date interest on Fiscal 2003 C Bonds in a Commercial Paper Rate Period comprised of more than 270 days shall be paid on the next succeeding Reset Date or Conversion Date and the date which is less than 180 calendar days prior to such Reset Date or Conversion Date. If any such day is not a Business Day, then the Bond Payment Date will be the next succeeding Business Day.

We are of the opinion that:

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

2. The Resolution and the Fifty-ninth Supplemental Resolution have been duly and lawfully adopted by the Authority, are in full force and effect and are the legal, valid and binding agreements of the Authority enforceable in accordance with their terms. The Resolution and the Fifty-ninth Supplemental Resolution create the valid, binding and perfected pledges they purport to create of the Revenues and any moneys or securities on deposit in the Funds and Accounts created thereby, subject only to the provisions of the Resolution, the Fifty-ninth Supplemental Resolution and the Financing Agreement permitting the application thereof for or to the purposes and on the terms and conditions permitted thereby, including the making of any required payments to the United States with respect to arbitrage earnings.

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

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

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

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

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

8. The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to the issuance and delivery of the 2003 Series C Bonds for interest thereon to be an remain excluded from gross income for federal tax purposes. Noncompliance with such requirements could cause the interest on the 2003 Series C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2003 Series C Bonds. Pursuant to the Fifty-ninth Supplemental Resolution, the Authority has covenanted to maintain the exclusion from gross income of the interest on the 2003 Series C 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 2003 Series C Bonds for federal income tax purposes and that it shall provide for any required rebate to the United States.

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

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

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

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

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

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

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

Very truly yours,



