

Date:	February 12, 2003		
To:	New York Local Government Assistance Corporation	From:	Morgan Stanley Capital Services Inc.
Attn:	Nancy Burton	Contact:	Gregory Pacelli
Fax:	(518) 473-6330	Fax:	212-762-8227
Tel:	(518) 474-3686	Tel:	212-762-7415

Re: Interest Rate Swap MSCS Ref. No. AUBHE

The purpose of this letter agreement is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement below.

The definitions and provisions contained in the 2000 ISDA Definitions and the 1992 ISDA U.S. Municipal Counterparty Definitions (each as published by the International Swaps and Derivatives Association, Inc.) (the "Definitions") are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of February 20, 2003, as amended and supplemented from time to time (the "Agreement") between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Party A:	Morgan Stanley Capital Services Inc.
Party B:	New York Local Government Assistance Corporation
Trade Date:	February 12, 2003
Notional Amount:	USD 311,700,000, amortizing according to Schedule I
Effective Date:	February 20, 2003
Termination Date:	April 1, 2022, subject to the adjustment in accordance with the Modified Following Business Day Convention

Fixed Amounts:

Fixed Rate Payer:	Party B
Fixed Rate Payer Payment Dates:	Each April 1 and October 1, commencing on April 1, 2003, up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.
Fixed Rate Payer Period End Dates:	Each April 1 and October 1, commencing on April 1, 2003, up to and including the Termination Date, with No Adjustment.

Fixed Rate: 3.1489%

Fixed Rate Day Count Fraction: 30/360

Floating Amounts:

Floating Rate Payer: Party A

Floating Rate Payer Payment Dates: Monthly on the first Business Day of each month, commencing on April 1, 2003, subject to adjustment in accordance with the Modified Following Business Day Convention.

Floating Rate Payer Period End Dates: Monthly on the first Business Day of each month, commencing on April 1, 2003, subject to adjustment in accordance with the Modified Following Business Day Convention.

Floating Rate Option: USD-LIBOR-BBA

For purposes of this Transaction, Article 7, Section 7.1 (w)(xvii) and (xx) of the Definitions are hereby amended by deleting all references to "the day that is two London Banking Days preceding that Reset Date" and replacing such clause with "the day that is one London Banking Day preceding that Reset Date".

Maturity: One month

Floating Rate: 65% times the Floating Rate Option

Floating Rate Day Count Fraction: Actual/Actual

Floating Rate Reset Date: The Effective Date and each Wednesday thereafter.

Compounding: Inapplicable

Method of Averaging: Weighted

Business Days: New York

Calculation Agent: Party A

3. Account Details:

Payments to Party A: Citibank, New York
ABA No. [REDACTED]
For: Morgan Stanley Capital Services Inc.
Account No. [REDACTED]

Payments to Party B: *[Please provide.]*

Party A Operations Contact: Jean Barnum
Tel: 212-761-4662
Fax: 212-537-1864

Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUBHE by executing this Confirmation and returning it to us promptly.

We are delighted to have entered into this Transaction with you and look forward to serving you further in the future.

Best Regards,

MORGAN STANLEY CAPITAL SERVICES INC.

By: _____
Name: 
Title: Authorized Signatory

ACKNOWLEDGED AND AGREED as of the date first written:

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

By: _____
Name:
Title:

Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUBHE by executing this Confirmation and returning it to us promptly.

We are delighted to have entered into this Transaction with you and look forward to serving you further in the future.

Best Regards,

MORGAN STANLEY CAPITAL SERVICES INC.

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED as of the date first written:

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

By: 
Name: NANCY M. BURTON
Title: Treasurer

APPROVED 2-19 2003
LLER

SCHEDULE 1
to Confirmation, dated February 12, 2003,
between Morgan Stanley Capital Services Inc.
and New York Local Government Assistance Corporation

MSCS Ref. No. AUBHE

<u>FROM (and including)</u>	<u>TO (but excluding)</u>	<u>NOTIONAL AMOUNT</u>
2/20/03	4/1/13	USD 311,700,000
4/1/13	4/1/14	309,437,500
4/1/14	4/1/15	274,900,000
4/1/15	4/1/16	237,137,500
4/1/16	4/1/17	198,150,000
4/1/17	4/1/18	157,880,000
4/1/18	4/1/19	116,272,500
4/1/19	4/1/20	73,272,500
4/1/20	4/1/21	54,212,500
4/1/21	4/1/22	8,252,500