



New York City Municipal Water Finance Authority

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NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY COMPLETES REVIEW OF INVESTMENTS – ANNOUNCES NO SUBPRIME MORTGAGE EXPOSURE

The New York City Municipal Water Finance Authority (“NYW” or the “Authority”) has completed a review of its investments and announced today that it does not have investments in subprime mortgages, asset-backed commercial paper, special investment vehicles or any other related financial instruments. NYW does not invest in, or otherwise participate in state or local government investment pools.

NYW’s invested fund groups consist of the debt service fund, the debt service reserve fund, revenue fund and construction fund. Investment decisions for all funds strictly follow NYW’s bond indenture and Board approved Investment Guidelines which are posted on NYW’s web site, at: http://nyc.gov/html/nyw/html/inv_info.html.

The Authority uses the services of external professionals to assist and advise in the management of its investments including financial advisors, trustee, bond counsel and an investment manager. Most notably, the Authority’s investment manager, MBIA Asset Management Group (MBIA), is responsible for the investment of portions of some fund groups. Authority funds under management by MBIA are invested in *direct obligations* of the following triple-A rated government sponsored enterprises (“GSE’s”), also referred to as “Agencies”: Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB) and Federal Farm Credit Banks (FFCB). Securities of these enterprises held by NYW are direct obligations issued to support their day-to-day operations, but are not backed by the full faith and credit of the Federal Government. MBIA does not invest in MBIA corporate obligations nor does it invest in MBIA commercial paper or any other asset-backed commercial paper.

The Authority also invests in direct obligations of, or obligations guaranteed as to principal and interest by the State of New York or direct obligations of any agency or public authority of the State, provided such obligations are rated, at the time of purchase, in one of the two highest rating categories by a Rating Agency. The Authority’s investments in this category are all rated AAA/Aaa/AAA.

The Authority also utilizes a highly secure investment vehicle referred to as a forward purchase agreement or “FPA”, in which it invests in U.S. government securities, in government guaranteed Agency securities or in direct obligations of the GSE’s previously noted. The Authority directs its trustee to enter into FPA’s with broker/dealer providers selected through competitive bidding for the investment of typically long term investments. The provider is required to deliver eligible securities at least twice per year that mature on

semi-annual valuation dates as stipulated in the Authority's bond indenture. The Authority holds the securities which convert to cash on valuation dates (securities mature on valuation dates).

Lastly, the Authority has a guaranteed investment contract or "GIC" with Trinity Plus Funding Company, LLC, an indirect but wholly owned subsidiary of GE Capital Corporation which is also rated AAA/Aaa/AAA. The agreement is liquid, in that it grants NYW the right to optionally terminate the agreement for any reason with 10 business days notice, subject to a market "make whole" provision.

The Authority's Investment Guidelines allow for certain fund groups to invest in corporate securities, including commercial paper of the highest rating category. In order to further clarify these guidelines, and limit investment risk, the Authority has issued written instructions to its trustee and investment manager, that, until further notice, no funds are to be invested in asset-backed commercial paper. In addition, the instructions stipulate that investments in GSE's are to be rated AAA/Aaa by Standard & Poor's and Moody's Investors Service respectively.

As of December 11, 2007, the Authority had approximately \$1.871 billion of invested funds, of which \$1.711 billion was invested in GSE's, \$74 million in tax-exempt bonds of New York State issuers, and \$86 million in a guaranteed investment contract.