

NEW ISSUE

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Fiscal 2008 AA Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Fiscal 2008 AA Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Fiscal 2008 AA Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Fiscal 2008 AA Bonds. See "TAX MATTERS."

\$400,000,000
New York City
Municipal Water Finance Authority
Water and Sewer System Second General Resolution Revenue Bonds,
Fiscal 2008 Series AA

Dated: Date of Delivery

Due: June 15, as shown in the inside cover

The Fiscal 2008 AA Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York which will act as securities depository for the Fiscal 2008 AA Bonds. Purchases of beneficial interests in such Fiscal 2008 AA Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing the ownership interest in the Fiscal 2008 AA Bonds purchased by them. See "APPENDIX F—BOOK-ENTRY-ONLY FORM."

Interest on the Fiscal 2008 AA Bonds will accrue from their date of delivery and will be payable semiannually on each June 15th and December 15th, commencing December 15, 2007. The Fiscal 2008 AA Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof. The Fiscal 2008 AA Bonds are subject to redemption prior to maturity as described herein. The proceeds of the Fiscal 2008 AA Bonds are expected to be applied (i) to pay principal and interest on a portion of the Authority's outstanding Commercial Paper Notes, (ii) to fund a portion of the CIP, and (iii) to pay certain costs of issuance.

The Fiscal 2008 AA Bonds are special obligations of the Authority, payable solely from and secured by a pledge of and subordinate lien on the gross revenues of the System. The Authority has no taxing power. The Fiscal 2008 AA 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 2008 AA Bonds.

The Fiscal 2008 AA Bonds are offered when, as and if issued by the Authority and received by the Underwriters, and subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP, New York, New York. It is anticipated that the Fiscal 2008 AA Bonds will be available for delivery to The Depository Trust Company in New York, New York, on or about October 10, 2007.

DEPFA First Albany Securities LLC	M.R. Beal & Company Merrill Lynch & Co. UBS Investment Bank	Siebert Brandford Shank & Co., LLC
A.G. Edwards & Sons, Inc. Citi Lehman Brothers Raymond James & Associates, Inc.	Banc of America Securities LLC Goldman, Sachs & Co. Loop Capital Markets LLC	Bear, Stearns & Co. Inc. JPMorgan Morgan Stanley Wachovia Bank, National Association
Piper Jaffray	Prager, Sealy & Co., LLC Roosevelt & Cross Incorporated	RBC Capital Markets

October 4, 2007