

NEW ISSUE

In the opinion of Bond Counsel, interest on the Bonds will be exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including the City, and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. See "SECTION III: MISCELLANEOUS—Tax Exemption" herein for further information.

\$100,000,000
The City of New York
General Obligation Bonds, Fiscal 2005
Subseries C-2 and C-3

\$50,000,000 AUCTION RATE BONDS
\$50,000,000 ADJUSTABLE RATE BONDS

Dated: Date of Delivery

Due: August 15, as shown on the inside cover

The Bonds will be issued as registered bonds. The Bonds will be registered in the nominee name of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds.

The Auction Rate Bonds of Subseries C-2 will be issuable initially in authorized denominations of \$25,000 or any integral multiple thereof. The Adjustable Rate Bonds of Subseries C-3 will be issuable initially in Authorized Denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. Other terms of the Bonds including interest rates, interest payment dates, mandatory and optional redemption and tender provisions and authorized denominations are described herein.

The Adjustable Rate Bonds are subject to redemption and to optional and mandatory tender under the circumstances described herein. Payment of the Purchase Price on the Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the Liquidity Facility described herein provided by DEPFA BANK plc acting through its New York Agency (the "Bank").

The principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by CDC IXIS Financial Guaranty North America, Inc. simultaneously with the delivery of the Bonds.

The Bonds are offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriter, subject to the approval of the legality of the Bonds by Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel to the City, and to certain other conditions. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the City by Morgan, Lewis & Bockius LLP, New York, New York. Certain legal matters will be passed upon for the Underwriter by Clifford Chance US LLP, New York, New York. It is expected that the Bonds will be available for delivery in New York, New York, on or about August 18, 2004.

A.G. Edwards
Broker-Dealer for
Subseries C-2 Bonds and
Remarketing Agent for
Subseries C-3 Bonds

August 5, 2004

\$100,000,000 General Obligation Bonds, Fiscal 2005 Subseries C-2 and C-3⁽¹⁾

	Subseries C-2⁽²⁾		Subseries C-3⁽³⁾	
<u>August 15</u>	<u>Principal Amount</u>	<u>Price</u>	<u>Principal Amount</u>	<u>Price</u>
2029			\$50,000,000(†)	100%
2034				

(†) Term Bond.

- (1) Fiscal 2005 Series C General Obligation Bonds of The City of New York in the amount of \$630,000,000 are being issued simultaneously with the Subseries C-2 and C-3 Bonds, are described in a separate official statement and are not offered hereby.
- (2) Auction Rate Bonds. Principal and interest insured by CDC IXIS Financial Guaranty North America, Inc. See "APPENDIX D—AUCTION RATE BONDS". A.G. Edwards & Sons, Inc. is the broker-dealer for the Auction Rate Bonds. The first Auction for the Auction Rate Bonds will be held on August 26, 2004 and thereafter an Auction will generally occur on Thursday of each week. The first Interest Payment Date for the Auction Rate Bonds is on August 27, 2004 and succeeding Interest Payment Dates will generally occur on each Friday thereafter, or if any such Friday is not a Business Day, the next succeeding Business Day.
- (3) Adjustable Rate Bonds. See "APPENDIX B—MULTI-MODAL BONDS". Principal and interest insured by CDC IXIS Financial Guaranty North America, Inc. A.G. Edwards & Sons, Inc. is the Remarketing Agent for the Adjustable Rate Bonds, which will be in the Weekly Rate Mode with the interest rate reset each Wednesday (beginning August 25, 2004) effective Thursday supported initially by a Liquidity Facility provided by DEPFA BANK plc acting through its New York Agency. The first interest payment date is September 1, 2004.

**RATE PERIOD TABLE
FOR ADJUSTABLE RATE BONDS**

	Daily Rate	Weekly Rate	Commercial Paper Rate	Term Rate	Fixed Rate
Interest Payment Date	1st Business Day of each calendar month	1st Business Day of each calendar month	(1) If Rate Period is six months or less, the Business Day next succeeding the last day of the Rate Period and (2) if Rate Period is more than six months (i) the Business Day next succeeding the last day of the Rate Period and (ii) the first Business Day of the sixth month of the Rate Period	February 15 and August 15 of each year and the Business Day next succeeding the last day of the Rate Period, or as specified by the City	February 15 and August 15 of each year
Record Date	Business Day preceding each Interest Payment Date	Business Day preceding each Interest Payment Date	Business Day preceding each Interest Payment Date	Unless otherwise specified by the City, last business day of the calendar month immediately preceding an Interest Payment Date	Last business day of the calendar month immediately preceding an Interest Payment Date
Reset Date	Not later than 10:00 a.m. on each Business Day	Not later than 4:00 p.m. on the designated Reset Date	Not later than 12:30 p.m. on the first day of each Commercial Paper Rate Period	Not later than a date 2 Business Days prior to the first day of a Term Rate Period	Not later than the Conversion Date
Rate Periods	Commencing on one Business Day extending to, but not including, the next succeeding Business Day	The Rate Period* will be a period of generally seven days beginning on the day of the week specified therefor	A period of 1 to 365 days	Commencing on a Conversion Date or a date immediately following a Term Rate Period and ending as specified by the City	Commencing on the Conversion Date extending to the date of conversion, redemption or maturity
Optional Tender Date and Time	On any Business Day not later than 1:00 p.m.	On the commencement date of each Weekly Rate Period not later than 1:00 p.m.	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 10:00 a.m. on the Optional Tender Date	Written notice not later than 12:00 noon on the Reset Date	Not subject to optional tender	Not subject to optional tender	Not subject to optional tender
Payment Date for Bonds subject to optional tender	Not later than 4:15 p.m. on the Optional Tender Date	Not later than 4:15 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 4:15 p.m. on the Mandatory Tender Date	Not later than 4:15 p.m. on the Mandatory Tender Date	Not later than 4:15 p.m. on the Mandatory Tender Date	Not later than 4:15 p.m. on the Mandatory Tender Date	Not later than 4:15 p.m. on a Conversion Date on which an optional redemption could occur

Note: All time references given above refer to New York City time.

The information in this Rate Period Table is provided for the convenience of the Bondholders and is not meant to be comprehensive. See “APPENDIX B—MULTI-MODAL BONDS” for a description of the Adjustable Rate Bonds.

See “APPENDIX D—AUCTION RATE BONDS” for a description of the interest payment date, record dates, Auction Periods and other terms applicable to the Auction Rate Bonds.

* The Rate Period with respect to Subseries C-3 Bonds will commence on a Thursday and will extend to and include the next succeeding Wednesday.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations in connection with the Bonds or the matters described herein, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter. No representations are made or implied by the City or the Underwriter as to any offering of any derivative instruments.

The factors affecting the City's financial condition are complex. This Official Statement should be considered in its entirety and no one factor considered less important than any other by reason of its location herein. Where agreements, reports or other documents are referred to herein, reference should be made to such agreements, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof. Any electronic reproduction of this Official Statement may contain computer-generated errors or other deviations from the printed Official Statement. In any such case, the printed version controls.

This Official Statement incorporates by reference forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the City, the inclusion by reference in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the City, its independent auditors or the Underwriter that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. If and when included through incorporation by reference in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements 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 City. These forward-looking statements speak only as of the date they were prepared. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein by specific reference to reflect any change in the City's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based between modifications to the City's financial plan required by law.

**OFFICIAL STATEMENT OF THE CITY OF NEW YORK
TABLE OF CONTENTS**

	<u>Page</u>		<u>Page</u>
SECTION I: INCLUSION BY SPECIFIC REFERENCE	1	SECTION III: MISCELLANEOUS	6
SECTION II: THE BONDS	1	Supplemental Certificates	6
General	1	Tax Exemption	6
Auction Rate Bonds	2	Ratings	7
Adjustable Rate Bonds	2	Legal Opinions	7
Payment Mechanism	2	Underwriting	8
Enforceability of City Obligations	2	Continuing Disclosure Undertaking	8
Certain Covenants and Agreements	3	APPENDIX A—DEFINITIONS	A-1
Use of Proceeds	3	APPENDIX B—MULTI-MODAL BONDS	B-1
Optional Redemption	3	APPENDIX C—THE BANK	C-1
Mandatory Redemption	4	APPENDIX D—AUCTION RATE BONDS	D-1
Mandatory and Optional Tender	4	APPENDIX E—BOND INSURER	E-1
Bond Insurance	4	APPENDIX F—SPECIMEN INSURANCE POLICY ..	F-1
Liquidity Facility	4	APPENDIX G—FORM OF LEGAL OPINION	G-1
Bond Certificates	4		

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

**OFFICIAL STATEMENT
OF
THE CITY OF NEW YORK**

This Official Statement provides certain information concerning The City of New York (the “City”) in connection with the sale of the variable rate portion of the City’s General Obligation Bonds, Fiscal 2005 Series C (the “Multi-Modal Bonds” or the “Bonds”). The Multi-Modal Bonds consist of \$50,000,000 auction rate bonds (the “Auction Rate Bonds”) and \$50,000,000 adjustable rate bonds (the “Adjustable Rate Bonds”). In addition to the \$100,000,000 Multi-Modal Bonds, \$630,000,000 of the City’s General Obligation Bonds, Fiscal 2005 Subseries C-1 and C-4 will be issued as fixed rate bonds (the “Fixed Rate Bonds”), which are described in a separate official statement and are not offered hereby.

The Bonds will be general obligations of the City for the payment of which the City will pledge its faith and credit. All real property subject to taxation by the City will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of, applicable redemption premium, if any, and interest on the Bonds.

The factors affecting the City’s financial condition and the Bonds described throughout this Official Statement are complex and are not intended to be summarized in this Introductory Statement. This Official Statement (including the information referred to in SECTION I: INCLUSION BY SPECIFIC REFERENCE) should be read in its entirety.

SECTION I: INCLUSION BY SPECIFIC REFERENCE

Portions of the City’s Official Statement dated August 5, 2004, delivered herewith and relating to the Fixed Rate Bonds, subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

- INTRODUCTORY STATEMENT (excluding the first and last paragraphs thereof)
- SECTION I: RECENT FINANCIAL DEVELOPMENTS
- SECTION III: GOVERNMENT AND FINANCIAL CONTROLS
- SECTION IV: SOURCES OF CITY REVENUES
- SECTION V: CITY SERVICES AND EXPENDITURES
- SECTION VI: FINANCIAL OPERATIONS
- SECTION VII: FINANCIAL PLAN
- SECTION VIII: INDEBTEDNESS
- SECTION IX: OTHER INFORMATION
 - Pension Systems
 - Litigation
 - Financial Advisors
 - Further Information
- APPENDIX A—ECONOMIC AND DEMOGRAPHIC INFORMATION
- APPENDIX B—FINANCIAL STATEMENTS

The Fixed Rate Bonds described in such Official Statement are not offered by this Official Statement.

SECTION II: THE BONDS

General

The Bonds will be general obligations of the City issued pursuant to the Constitution and laws of the State, including the Local Finance Law (the “LFL”), and the New York City Charter (the “City Charter”) and in accordance with bond resolutions of the Mayor and a certificate of the Deputy Comptroller for Public Finance (the “Certificate”). The Bonds will mature and bear interest as described on the inside cover page of this Official Statement and will contain a pledge of the City’s faith and credit for the payment of the principal of, redemption premium, if any, and interest on the Bonds. All real property subject to taxation by the City will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of, redemption premium, if any, and interest on the Bonds.

Auction Rate Bonds

For the terms of the Auction Rate Bonds, see the inside cover page, “APPENDIX A—DEFINITIONS”, and “APPENDIX D—AUCTION RATE BONDS—AUCTION PROCEDURES.”

Adjustable Rate Bonds

For the terms of the Adjustable Rate Bonds, including optional and mandatory tender provisions, see the inside cover page, “APPENDIX A—DEFINITIONS”, and “APPENDIX B—MULTI-MODAL BONDS.”

Payment Mechanism

Pursuant to the New York State Financial Emergency Act For The City of New York (the “Financial Emergency Act” or the “Act”), a general debt service fund (the “General Debt Service Fund” or the “Fund”) has been established for City bonds and certain City notes. Pursuant to the Act, payments of the City real estate tax must be deposited upon receipt in the Fund, and retained under a statutory formula, for the payment of debt service (with exceptions for debt service, such as principal of seasonal borrowings, that is set aside under other procedures). The statutory formula has in recent years resulted in retention of sufficient real estate taxes to comply with the City Covenants (as defined in “SECTION II: THE BONDS—Certain Covenants and Agreements”). If the statutory formula does not result in retention of sufficient real estate taxes to comply with the City Covenants, the City will comply with the City Covenants either by providing for early retention of real estate taxes or by making cash payments into the Fund. The principal of and interest on the Bonds will be paid from the Fund until the Act expires on July 1, 2008, and thereafter from a separate fund maintained in accordance with the City Covenants. Since its inception in 1978, the Fund has been fully funded at the beginning of each payment period.

If the Control Board determines that retentions in the Fund are likely to be insufficient to provide for the debt service payable therefrom, it must require that additional real estate tax revenues be retained or other cash resources of the City be paid into the Fund. In addition, the Control Board is required to take such action as it determines to be necessary so that the money in the Fund is adequate to meet debt service requirements.

Enforceability of City Obligations

As required by the State Constitution and applicable law, the City pledges its faith and credit for the payment of the principal of and interest on all City indebtedness. Holders of City debt obligations have a contractual right to full payment of principal and interest at maturity. If the City fails to pay principal or interest, the holder has the right to sue and is entitled to the full amount due, including interest to maturity at the stated rate and at the rate authorized by law thereafter until payment. Under the General Municipal Law, if the City fails to pay any money judgment, it is the duty of the City to assess, levy and cause to be collected amounts sufficient to pay the judgment. Decisions indicate that judicial enforcement of statutes such as this provision in the General Municipal Law is within the discretion of a court. Other judicial decisions also indicate that a money judgment against a municipality may not be enforceable against municipal property devoted to public use.

The rights of the owners of Bonds to receive interest, principal and redemption premium, if any, from the City could be adversely affected by a restructuring of the City’s debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of City securities (including the Bonds) to payment from money retained in the Fund or from other sources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors’ rights; such money might then be available for the payment of all City creditors generally. Judicial enforcement of the City’s obligation to make payments into the Fund, of the obligation to retain money in the Fund, of the rights of holders of bonds and notes of the City to money in the Fund, of the obligations of the City under the City Covenants and of the State under the State Covenant and the State Pledge and Agreement (in each case, as defined in “—Certain Covenants and Agreements”) may be within the discretion of a court. For further information concerning rights of owners of Bonds against the City, see “SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities” included herein by specific reference.

Certain Covenants and Agreements

The City will covenant that: (i) a separate fund or funds for the purpose of paying principal of and interest on bonds and interest on notes of the City (including required payments into, but not from, City sinking funds) shall be maintained by an officer or agency of the State or by a bank or trust company; and (ii) not later than the last day of each month, there shall be on deposit in a separate fund or funds an amount sufficient to pay principal of and interest on bonds and interest on notes of the City due and payable in the next succeeding month. The City currently uses the debt service payment mechanism described above to perform these covenants. The City will further covenant in the Bonds to comply with the financial reporting requirements of the Act, as in effect from time to time, to limit its issuance of bond anticipation notes as required by the Act, as in effect from time to time, to include as terms of the variable rate Bonds the respective provisions applicable thereto, and to comply therewith and with the statutory restrictions.

The State pledges and agrees in the Financial Emergency Act that the State will not take any action that will impair the power of the City to comply with the covenants described in the preceding paragraph (the "City Covenants") or any right or remedy of any owner of the Bonds to enforce the City Covenants (the "State Pledge and Agreement"). The City will covenant to make continuing disclosure with respect to the Bonds (the "Undertaking") to the extent summarized in "SECTION III: MISCELLANEOUS—Continuing Disclosure Undertaking." In the opinion of Bond Counsel, the enforceability of the City Covenants, the Undertaking and the State Pledge and Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases. The City Covenants, the Undertaking and the State Pledge and Agreement shall be of no force and effect with respect to any Bond if there is a deposit in trust with a bank or trust company of sufficient cash or cash equivalents to pay when due all principal of, applicable redemption premium, if any, and interest on such Bond.

Use of Proceeds

The proceeds of the Bonds will be used for capital purposes, including expenses of the City in connection with the issuance and sale of the Bonds.

Optional Redemption

The Bonds are subject to redemption prior to maturity at the option of the City, in whole or in part, (a) if bearing interest as Stepped-Coupon Bonds or at a Daily, Commercial Paper, Weekly or Auction Rate, on any potential Conversion Date of such Multi-Modal Bonds, or (b) if bearing interest as Bank Bonds or at the highest rate provided by law for interest on accrued claims against municipalities on any date, in each case on 30 days' notice to Bondholders at the principal amount thereof plus any interest accrued and unpaid thereon.

Any Bonds of Subseries C-2 and C-3 bearing interest at a Fixed Rate will be subject to redemption at the option of the City, beginning on the tenth anniversary of a Conversion to the Fixed Rate, in whole or in part, by lot within each maturity, on any date upon 30 days' notice to Bondholders, at a redemption price of 100% plus accrued interest to the date of redemption. Prior to Conversion to a Fixed Rate, such optional redemption provisions may be amended if the City receives a Favorable Opinion of Bond Counsel.

In the event that less than all the Bonds of a Rate Mode, Subseries and maturity subject to redemption are to be redeemed, the Bonds shall be selected for redemption in the following manner: (i) first, from the Bonds, if any, of any Rate Mode, Subseries and maturity subject to such redemption which are held by or for the Subseries Bank, (ii) second, from other Bonds bearing interest as Bank Bonds or at the highest rate provided by law for interest on accrued claims against municipalities, and (iii) third, by lot.

The City may select Subseries, Rate Modes and amounts of Bonds for optional redemption in its sole discretion.

On and after any redemption date, interest will cease to accrue on the Bonds called for redemption.

Mandatory Redemption

The Bonds are Term Bonds subject to mandatory redemption upon 30 days' notice to Bondholders, by lot within each stated maturity, on each August 15 at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

<u>August 15</u>	<u>Subseries C-2</u>	<u>Amount</u>	<u>August 15</u>	<u>Subseries C-3</u>	<u>Amount</u>
2029		\$ 4,885,000	2028		\$28,550,000
2030		9,200,000	2029*		21,450,000
2031		8,205,000			
2032		8,630,000			
2033		9,080,000			
2034*		10,000,000			

* Stated Maturity

At the option of the City, there shall be applied to or credited against any of the required amounts the principal amount of any such Term Bonds that have been defeased, purchased or redeemed and not previously so applied or credited.

Defeased Term Bonds shall at the option of the City no longer be entitled, but may be subject, to the provisions thereof for mandatory redemption.

Mandatory and Optional Tender

The Adjustable Rate Bonds are subject to mandatory and optional tender as described in “APPENDIX B—MULTI-MODAL BONDS.”

Bond Insurance

Principal of and interest on the Bonds are insured by CDC IXIS Financial Guaranty North America, Inc. (the “Insured Bonds”). Information about CDC IXIS Financial Guaranty North America, Inc. (“CIFGNA”) is set forth in Appendix E. A specimen CIFGNA insurance policy is set forth in Appendix F.

Liquidity Facility

DEPFA BANK plc acting through its New York Agency has agreed to provide a Liquidity Facility in the form of a standby bond purchase agreement with respect to the Adjustable Rate Bonds. For a description of certain provisions of the Liquidity Facility to be provided by the Bank, see “APPENDIX B—MULTI MODAL BONDS.” For information regarding the Bank, see “APPENDIX C — THE BANK.”

Bond Certificates

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. Reference to the Bonds under the caption “Bond Certificates” shall mean all Bonds that are deposited with DTC from time to time. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) and deposited with DTC.

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

of 1934. DTC holds securities that its direct participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct 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. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (under this caption, “*Book-Entry Only System*,” a “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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of Cede & Co. The deposit 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 the 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 Direct 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.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an omnibus proxy (the “Omnibus Proxy”) to the City 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).

Redemption notices shall be sent to DTC. If less than all of the 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.

Payment of redemption proceeds and principal and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or Fiscal Agent, The Bank of New York, on the payment date in accordance with their respective holdings shown on DTC’s records. 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, Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and

interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Fiscal Agent, 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.

The services of DTC as securities depository with respect to the Bonds may be discontinued at any time. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

No assurance can be given by the City that DTC will make prompt transfer of payments to the Participants or that Participants will make prompt transfer of payments to Beneficial Owners. The City is not responsible or liable for payment by DTC or Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or Participants.

For every transfer and exchange of the Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained in this subsection "*Book-Entry Only System*" has been extracted from information furnished by DTC. Neither the City nor the underwriters of the Bonds make 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 hereof.

SECTION III: MISCELLANEOUS

Supplemental Certificates

For any one or more of the following purposes and at any time or from time to time, the City may enter into a supplement to the Certificate:

- (a) to cure any ambiguity, supply any omission or cure or correct any defect or inconsistent provision relating to the Multi-Modal Bonds;
- (b) to identify particular Multi-Modal Bonds for purposes not inconsistent with the Certificate, including credit or liquidity support, remarketing, serialization and defeasance; or
- (c) to insert such provisions with respect to the Multi-Modal Bonds as are necessary or desirable and are not to the prejudice of the Bondholders.

Each supplement is conditioned upon delivery to the City of a Favorable Opinion of Bond Counsel.

The provisions of the Certificate relating to Auction Rate Bonds may also be changed as described in Appendix D.

Tax Exemption

In the opinion of Sidley Austin Brown & Wood LLP, New York, New York, as Bond Counsel, except as provided in the following sentence, interest on the Bonds will not be includable in the gross income of the owners of the Bonds for purposes of federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with applicable requirements of the Internal Revenue Code of 1986, as amended, (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and no opinion is rendered by Sidley Austin Brown & Wood LLP as to the exclusion from gross income of the interest on the Bonds for federal income tax purposes on or after the date on which any action is taken under the Bond proceedings upon the approval of counsel other than such firm.

Interest on the Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

Interest on the Bonds will not be a specific preference item for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Sidley Austin Brown & Wood LLP renders no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income. Interest on the Bonds owned by a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability.

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status of the Bonds. Legislative or regulatory actions and proposals may also affect the economic value of the tax exemption or the market price of the Bonds.

Ratings

The Auction Rate Bonds are expected to be rated "Aaa" by Moody's Investors Service ("Moody's"), "AAA" by Standard & Poor's Ratings Services ("Standard & Poor's") and "AAA" by Fitch, Inc. ("Fitch"). The Adjustable Rate Bonds are expected to be rated "Aaa/VMIG-1", "AAA/A-1+", and "AAA/F1+" by Moody's, Standard & Poor's and Fitch, respectively. The ratings on the Auction Rate Bonds and the long-term ratings on the Adjustable Rate Bonds will be based on the insurance policy to be issued by CDC IXIS Financial Guaranty North America, Inc. The short-term ratings on the Adjustable Rate Bonds are based solely on the ratings of the Bank. Such ratings reflect only the views of Moody's, Standard & Poor's and Fitch from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of such bonds. On November 26, 2002, Standard & Poor's issued a negative outlook on City bonds and on May 27, 2003 changed the outlook to stable. On November 15, 2001, Moody's issued a negative outlook on City bonds and on January 28, 2004 revised the outlook to stable. On December 23, 2002, Fitch issued a negative outlook on City bonds and on December 8, 2003 changed the outlook to stable.

Legal Opinions

The legality of the authorization and issuance of the Bonds will be covered by the approving legal opinion of Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel to the City. Reference should be made to the form of such opinion set forth in Appendix G hereto for the matters covered by such opinion and the scope of Bond Counsel's engagement in relation to the issuance of the Bonds. Such firm is also acting as counsel for and against the City in certain other unrelated matters.

Certain legal matters will be passed upon for the City by its Corporation Counsel.

Morgan, Lewis & Bockius LLP, New York, New York, Special Counsel to the City, will pass upon certain legal matters in connection with the preparation of this Official Statement. A description of those matters and the nature of the review conducted by that firm is set forth in its opinion and accompanying memorandum which are on file at the office of the Corporation Counsel. Such firm is also acting as counsel against the City in certain unrelated matters.

Certain legal matters will be passed upon by Clifford Chance US LLP, New York, New York, counsel for the Underwriter. Such firm is also acting as counsel for and against the City in certain unrelated matters.

Underwriting

The Bonds are being purchased for reoffering by A.G. Edwards & Sons, Inc. who has agreed, subject to certain conditions, to purchase such Bonds from the City at an aggregate underwriter's discount of \$131,049.13 and to make an initial public offering of such Bonds at prices that are not in excess of the initial public offering prices set forth on the inside cover page of this Official Statement. A.G. Edwards & Sons, Inc. will be obligated to purchase all the Bonds if any such Bonds are purchased.

The Underwriter holds substantial amounts of City bonds and notes and MAC bonds and may, from time to time during and after the offering of the Bonds to the public, purchase and sell City bonds and notes (including the Bonds) and MAC bonds for its own account or for the accounts of others, or receive payments or prepayments thereon.

Continuing Disclosure Undertaking

As authorized by the Act, and to the extent that (i) Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act") requires the underwriter (as defined in the Rule) of securities offered hereby (under this caption, if subject to the Rule, the "securities") to determine, as a condition to purchasing the securities, that the City will covenant to the effect of the Undertaking, and (ii) the Rule as so applied is authorized by a federal law that as so construed is within the powers of Congress, the City agrees with the record and beneficial owners from time to time of the outstanding securities (under this caption, if subject to the Rule, "Bondholders") to provide:

(a) within 185 days after the end of each fiscal year, 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 City's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the City's revenues, expenditures, financial operations and indebtedness generally of the type found in Sections IV, V and VIII and under the captions "1999-2003 Summary of Operations" in Section VI and "Pension Systems" in Section IX of the City's Official Statement dated August 5, 2004 included herein by specific reference; and

(b) 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 securities, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) modifications to rights of security holders;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the securities;

- (11) rating changes; and
- (12) failure of the City to comply with clause (a) above.

Event (3) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (3) may not be applicable, since the terms of the securities do not provide for “debt service reserves.”

Events (4) and (5). The City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the securities, unless the City applies for or participates in obtaining the enhancement.

Event (6) is relevant only to the extent interest on the securities is tax-exempt.

Event (8). The City does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the final official statement (as defined in the Rule), (ii) the only open issue is which securities will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the securities and (iv) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced prior to optional redemptions or security purchases.

At the date hereof, 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; Standard & Poor's Securities Evaluations, Inc., 55 Water Street, 45th Floor, New York, New York 10041; DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024; and FT Interactive Data, 100 William Street, New York, New York 10038, Attn: NRMSIR.

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 shall have filed with the Corporation Counsel of the City evidence of ownership and a written notice of and request to cure such breach, and the City shall have refused to comply within a reasonable time. All Proceedings shall 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 securities benefitted by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

Any amendment to the Undertaking may only take effect 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 City, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of award of the securities 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 City (such as, but without limitation, the City'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 City elects that the Undertaking shall 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. An assertion of beneficial ownership must be filed, with full documentary support, as part of the written request to the Corporation Counsel described above.

THE CITY OF NEW YORK

DEFINITIONS

“*Adjustable Rate Bonds*” means the Multi-Modal Bonds that are not Auction Rate Bonds.

“*Agent Member*” means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

“*Auction*” means each periodic implementation of the Auction Procedures.

“*Auction Agent*” means Wells Fargo Bank, National Association or another Auction Agent appointed by the City.

“*Auction Agreement*” means an agreement among the City, the Auction Agent and the Fiscal Agent pursuant to which the Auction Agent agrees to follow the procedures with respect to the Auction Rate Bonds, as such agreement may from time to time be amended or supplemented.

“*Auction Date*” means, (1) in a daily Auction Period, each Business Day, (2) in a Special Auction Period, the last Business Day of the Special Auction Period, and (iii) in any other Auction Period, the Business Day next preceding each Interest Payment Date (whether or not an Auction shall be conducted on such date); except that (a) the last Auction Date with respect to an Auction Period other than a daily Auction Period or Special Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date and (ii) the Business Day next preceding the Interest Payment Date next preceding the maturity date; (b) in a daily Auction Period, the last Auction Date shall be the earlier of (i) the Business Day next preceding the Conversion Date or (ii) the Business Day next preceding the maturity date; and (c) the last Business Day of a Special Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

“*Auction Definitions*” means the definitions of those terms that relate to the Auction Procedures.

“*Auction Multiple*” means, as of any Auction Date, the Percentage of Index (as defined in Appendix D) determined as set forth below, based on the Prevailing Rating of the Auction Rate Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

<u>Prevailing Rating</u>	<u>Percentage of Index</u>
AAA/AAA/Aaa	125%
AA/AA/Aa	150
A/A/A	175
BBB/BBB/Baa	200
Below BBB/BBB/Baa	225

“*Auction Period*” means (i) a Special Auction Period, (ii) with respect to Multi-Modal Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day, (iii) with respect to Multi-Modal Bonds in a seven-day Auction Period, a period of generally seven days beginning on a Friday (or, if later, the day following the prior Auction Period) and ending on a Thursday (or, if such day is not immediately followed by a Business Day, the day immediately preceding the next Business Day), (iv) with respect to Multi-Modal Bonds in a 28-day Auction Period, a period of generally 28 days, (v) with respect to Multi-Modal Bonds in a 35-day Auction Period, a period of generally 35 days, (vi) with respect to Multi-Modal Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period (unless such first day of the month is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (vii) with respect to Multi-Modal Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another

Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding February 14 or August 14 (unless such February 14 or August 14 is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); and if there is a conversion of Multi-Modal Bonds (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the Conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Thursday, (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the Conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of Conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the Conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of Conversion. The Initial Rate Period for each Subseries of Auction Rate Bonds commences on the date of delivery of such Bonds and ends on the date preceding the first Interest Payment Date.

“*Auction Period Rate*” means the rate of interest to be borne by the Auction Rate Bonds during each Auction Period determined in accordance with the Auction Procedures, in no event to exceed the Maximum Tax-Exempt Auction Rate.

“*Auction Procedures*” means the procedures for conducting Auctions.

“*Auction Rate*” means for each Auction Rate Bond for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate; or if all of such Bonds are the subject of Submitted Hold Orders, the Minimum Tax-Exempt Auction Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Tax-Exempt Auction Rate.

“*Auction Rate Bonds*” means the Subseries C-2 Bonds bearing interest at their Initial Rates and any Multi-Modal Bonds bearing interest in the Auction Rate Mode.

“*Auction Rate Mode*” means the Interest Rate Mode in which the Bonds bear interest at an Auction Period Rate.

“*Authorized Denominations*” means (i) during any Daily Rate Period, Commercial Paper Rate Period, or Weekly Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, (ii) during any Term Rate Period or the Fixed Rate Period, or for Stepped-Coupon Bonds, \$5,000 or any integral multiple thereof and (iii) during the Auction Rate Mode, except as otherwise may be specified in the Certificate, \$25,000 and any integral multiple thereof.

“*Authorized Officer*” means the Deputy Comptroller for Public Finance of the City, and, when used with reference to the performance of any act, the discharge of any duty or the execution of any certificate or other document, any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document.

“*Available Bonds*” means for Auction Rate Bonds on each Auction Date, the aggregate principal amount of such Bonds that are not the subject of Submitted Hold Orders.

“*Bank Bond*” or “*Purchased Bond*” means any Multi-Modal Bond held pursuant to a Liquidity Facility. The terms of Purchased Bonds are not described in detail in this Official Statement.

“*Beneficial Owner*” means each beneficial owner of Multi-Modal Bonds, as defined in the City’s Continuing Disclosure Undertaking with respect to the Bonds.

“*Bidder*” means each Existing Owner and potential owner who places an Order.

“*Bondholder*” or “*Holder*” or “*Owner*” means any person who shall be the registered owner of any Multi-Modal Bonds.

“*Bond Insurer Event of Insolvency*” means, with respect to the initial Liquidity Facility, the occurrence and continuance of one or more of the following events:

- (a) the issuance of an order of rehabilitation, liquidation or dissolution of the Bond Insurer;
- (b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property;
- (c) the consent of the Bond Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it;
- (d) the making by the Bond Insurer of an assignment for the benefit of creditors;
- (e) the failure of the Bond Insurer to generally pay its debts as they become due;
- (f) the initiation by the Bond Insurer of any actions to authorize any of the foregoing; or
- (g) the commencement of an involuntary case or other proceeding against the Bond Insurer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case remaining undismissed and unstayed for a period of 60 days.

“*Book Entry Form*” or “*Book Entry System*” means a form or system under which physical Multi-Modal Bond certificates in fully registered form are registered only in the name of the Securities Depository, with the physical certificates “immobilized” in the custody of the Securities Depository.

“*Broker-Dealer*” means any entity that is permitted by law to perform the function required of a Broker-Dealer that is a member of, or a direct participant in, the Securities Depository, that has been selected by the City, and that is a party to a Broker-Dealer Agreement with the Auction Agent, that is either a member of the National Association of Securities Dealers, Inc., or registered as a dealer of municipal securities under the Securities Exchange Act of 1934, as amended, and that has net capital of at least \$125,000,000.

“*Broker-Dealer Agreement*” means an agreement among the Auction Agent, the City and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures specified in the Certificate.

“*Business Day*” means a day other than (i) a Saturday and Sunday or (ii) a day on which the City, the New York Stock Exchange, the Fiscal Agent, the Tender Agent, the Auction Agent, the Broker-Dealers, the Remarketing Agents or banks and trust companies in New York, New York, are authorized or required to remain closed.

“*Certificate*” means the Certificate of the Deputy Comptroller for Public Finance of the City, with relating to the Multi-Modal Bonds, among others, including all Exhibits, Schedules and Appendices.

“*City Account*” means the account so designated and established within the Purchase and Remarketing Fund.

“*Commercial Paper Mode*” means a Rate Mode in which each Multi-Modal Bond for its respective Commercial Paper Rate Period bears interest at a Commercial Paper Rate.

“*Commercial Paper Rate*” means the rate at which Multi-Modal Bonds bear interest during the Commercial Paper Rate Period.

“*Commercial Paper Rate Period*” means, with respect to a particular Multi-Modal Bond, a period of one to 365 days during which such Multi-Modal Bond bears interest at a Commercial Paper Rate; and the first day immediately following the last day of each Commercial Paper Rate Period shall in all events be a Business Day.

“*Conversion*” means a change in the Rate Mode of a Multi-Modal Bond or a change from one Auction Period to another Auction Period for an Auction Rate Bond.

“*Conversion Date*” means the date of a Conversion or proposed Conversion.

“*Conversion Notice*” means a notice of a change in the Interest Rate Mode or Auction Period.

“*Credit Facility*” means a Standby Agreement that specifies no Liquidity Conditions and provides for the purchase of Bonds in the event of the City’s failure to pay interest or principal when due.

“*Daily Rate*” means the rate at which Multi-Modal Bonds bear interest during a Daily Rate Period.

“*Daily Rate Mode*” means a Rate Mode in which Multi-Modal Bonds bear 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 Multi-Modal Bonds bear interest at the Daily Rate.

“*Default Notice*” or “*Termination Notice*” means, with respect to a notice given by a Standby Purchaser pursuant to a Standby Agreement to the effect that an event of default thereunder has occurred and that the Liquidity Facility issued by such Standby Purchaser will terminate on the date specified in such notice.

“*Default Tax-Exempt Rate*” means, in respect of any Auction Period, a per annum rate equal to 250% of the Index determined on the Auction Date next preceding the first day of such Auction Period; but never to exceed the lesser of (x) 14% and (y) the maximum rate permitted by applicable law.

“*Direct Participant*” means a participant in the book-entry system of recording ownership interests in the Multi-Modal Bonds.

“*DTC*” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as Depository for the Multi-Modal Bonds, or any successor Depository for any Multi-Modal Bonds; and includes each nominee thereof.

“*Electronic Means*” means telephone, telecopy, telegraph, telex, internet, electronic mail, facsimile transmission or any other similar means of electronic communication. Any communication by telephone as an Electronic Means shall be promptly confirmed in writing or by one of the other means of electronic communication authorized herein.

“*Event of Termination*” means, with respect to the initial Liquidity Facility:

- (a) a Bond Insurer Event of Insolvency shall have occurred;
- (b) the Bond Insurer shall fail, wholly or partially, to make a payment as required under the bond insurance policy with respect to the applicable Subseries of Multi-Modal Bonds or under any bond insurance policy or financial guaranty insurance policy with respect to other Multi-Modal Bonds;
- (c) the bond insurance policy is surrendered, cancelled or terminated, or amended or modified in any material respect, without the Subseries Bank’s prior written consent; or
- (d) the ratings assigned by Moody’s, S&P and Fitch to the Bonds or the insurer financial strength rating or insurer financial enhancement rating, as appropriate, of the Insurer are withdrawn or reduced below “Baa3,” “BBB-” and “BBB-,” respectively.

“*Existing Owner*” means a person who is listed as the beneficial owner of Bonds in the records of the Auction Agent.

“*Existing Holder Registry*” or “*Register*” means the registry of Persons who are Existing Owners of Auction Rate Bonds, maintained by the Auction Agent as provided in the Auction Agreement.

“*Expiration Date*” or “*Scheduled Termination Date*” when used in connection with a particular Liquidity Facility means the date on which such Liquidity Facility will expire, as such date may be extended from time to time.

“*Favorable Opinion of Bond Counsel*” shall mean an opinion of nationally recognized bond counsel, to the effect that the action proposed to be taken is authorized or permitted by the Certificate and will not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for purposes of federal income taxation.

“*Fiduciary*” means each Fiscal Agent, Paying Agent, Tender Agent or Auction Agent.

“*Fiscal Agent*” means The Bank of New York and its successors as the City’s fiscal agent.

“*Fitch*” means Fitch, Inc., and its successors and assigns; references to Fitch are effective so long as Fitch is a Rating Agency.

“*Fixed Rate*” means the rate at which Multi-Modal Bonds bear interest to maturity (or earlier redemption or Conversion).

“*Fixed Rate Mode*” means a Rate Mode in which Multi-Modal Bonds bear interest at a Fixed Rate.

“*Fixed Rate Period*” means the period from and including the Conversion Date and extending to the date of Conversion, redemption or maturity.

“*Initial Rate*” means each rate per annum at which Multi-Modal Bonds will bear interest during the Initial Rate Period, as set forth in the Certificate.

“*Initial Rate Period*” means the period commencing on the Issue Date and extending to and including the date set forth in the Certificate as the last day of the Initial Rate Period for each Subseries of Bonds.

“*Insurer*” or “*Bond Insurer*” means CDC IXIS Financial Guaranty North America, Inc. or any successor thereto.

“*Interest Payment Date*” means with respect to (i) any Daily Rate Period, or any Weekly Rate Period, the first Business Day of each month, (ii) any Commercial Paper Rate Period of six months or less, the Business Day following the last day of the Rate Period, (iii) any Commercial Paper Rate Period exceeding six months, the first Business Day of the sixth month and the Business Day following the last day of the Rate Period, (iv) any Term Rate Period, each February 15 and August 15 and the Business Day following the Period, or as specified by the City, (v) Stepped-Coupon Bonds or the Fixed Rate Period, February 15 and August 15 of each year, commencing as determined by the City, (vi) any Auction Period, (a) other than a daily Auction Period or a Special Auction Period, the Business Day following such Auction Period, (b) that is a daily Auction Period, the first Business Day of the month following such Auction Period, and (c) that is a Special Auction Period of (i) seven or more but fewer than 92 days, the Business Day following such Special Auction Period, or (ii) 92 or more days, each thirteenth Monday after the first day of such Special Auction Period or the next Business Day if such Monday is not a Business Day and on the Business Day following such Special Auction Period. If any such date is not a Business Day, the Interest Payment Date shall be the following Business Day. With respect to all Bonds, interest shall be payable on each Mandatory Tender Date, redemption date or maturity date.

“*Issue Date*” means August 18, 2004.

“*LFL*” means the Local Finance Law of the State, as in effect from time to time.

“*Liquidity Condition*” means a Suspension Condition or an Event of Termination with respect to a Liquidity Facility provided by a Subseries Bank.

“*Liquidity Enhanced Bonds*” means the Subseries C-3 Bonds bearing interest at their Initial Rates and any Multi-Modal Bonds in the Daily Rate Mode, Weekly Rate Mode, Commercial Paper Mode or Term Rate Mode.

“*Mandatory Tender Date*” means any date on which a Multi-Modal Bond is subject to mandatory tender in accordance with the Certificate.

“*Maximum Rate*” means, with respect to (i) the Liquidity Enhanced Bonds, 9%, (ii) Purchased Bonds, 25% or (iii) all other Bonds, such rate not exceeding 25% as may be specified in the Certificate.

“*Maximum Tax-Exempt Auction Rate*” means the Default Tax-Exempt Rate, if applicable, or as of any Auction Date, the product of the Index described in Appendix D multiplied by the Auction Multiple; but never to exceed the lesser of (x) 14% or (y) the maximum rate permitted by applicable law.

“*Minimum Tax-Exempt Auction Rate*” means, as of any Auction Date, with respect to the Tax-Exempt Auction Rate Bonds, 45% of the Index described in Appendix D in effect on such Auction Date.

“*Mode*” or “*Rate Mode*” means Stepped-Coupon Bonds or the Daily Rate Mode, Commercial Paper Rate Mode, Weekly Rate Mode, Term Rate Mode, Fixed Rate Mode or Auction Rate Mode.

“*Moody’s*” means Moody’s Investors Service, and its successors and assigns; references to Moody’s are effective so long as Moody’s is a Rating Agency.

“*Multi-Modal Bonds*” means \$100,000,000 of the City’s General Obligation Bonds, Fiscal 2005 Series C, consisting of Subseries C-2 and C-3.

“*No Auction Tax-Exempt Rate*” means, as of any Auction Date, with respect to the Tax-Exempt Bonds, the rate determined by multiplying the Percentage of Index set forth below, based on the Prevailing Rating of the Tax-Exempt Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date, by the Index described in Appendix D:

<u>Prevailing Rating</u>	<u>Percentage of Index</u>
AAA/AAA/Aaa	65%
AA/AA/Aa	70
A/A/A	85
Below A/A/A	100

but never to exceed the Maximum Tax-Exempt Auction Rate.

“*No Remarketing Notice*” means a notice given by a Standby Purchaser pursuant to a Standby Agreement to the effect that an event of default thereunder has occurred and that from and after the date specified therein no Tendered Bonds to which a Liquidity Facility issued by such Standby Purchaser relates are to be remarketed.

“*Optional Tender Date*” means any Business Day during a Daily Rate Period or the first day of a Weekly Rate Period.

“*Order*” means a Hold Order, Bid or Sell Order.

“*Paying Agent*” means the Fiscal Agent and any additional paying agent for the Multi-Modal Bonds designated by the City.

“*Potential Owner*” means any person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently beneficially owned by such Person, if any.

“*Prevailing Rating*” means, (i) when such term is used in the definition of the No Auction Tax-Exempt Rate, (a) AAA/AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and Fitch and a rating of Aaa or better by Moody’s, (b) if not AAA/AAA/Aaa, AA/AA/Aa if the Bonds shall have a rating of AA– or better by S&P and Fitch and a rating of Aa3 or better by Moody’s, (c) if not AAA/AAA/Aaa or AA/AA/Aa, A/A/A if the Bonds shall have a rating of A– or better by S&P and Fitch and a rating of A3 or better by Moody’s, and (d) if not AAA/AAA/Aaa, AA/AA/Aa or A/A/A, then below A/A/A, whether or not the Bonds are rated by any rating service, and

(ii) when such term is used in the definition of the Auction Multiple, (a) AAA/AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and Fitch and a rating of Aaa or better by Moody’s, (b) if not AAA/AAA/Aaa, AA/AA/Aa if the Bonds shall have a rating of AA– or better by S&P and Fitch and a rating of Aa3 or better by Moody’s, (c) if not AAA/AAA/Aaa or AA/AA/Aa, A/A/A if the Bonds shall have a rating of A– or better by S&P and Fitch and a rating of A3 or better by Moody’s, (d)

if not AAA/AAA/Aaa, AA/AA/Aa or A/A/A, BBB/BBB/Baa if the Bonds shall have a rating of BBB- or better by S&P and Fitch and a rating of Baa3 or better by Moody's, and (e) if not AAA/AAA/Aaa, AA/AA/Aa, A/A/A or BBB/BBB/Baa, then below BBB/BBB/Baa, whether or not the Bonds are rated by any rating service.

For purposes of this definition, S&P's and Fitch's rating categories of "AAA," "AA-," "A-" and "BBB-" and Moody's rating categories of "Aaa," "Aa3," "A3" and "Baa3" shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such rating service shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Bonds are not rated by a rating service, the requirement of a rating by such rating service shall be disregarded. If the ratings for the Bonds are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Rate shall be the Default Tax-Exempt Rate.

"*Principal Office*" means, with respect to the Auction Agent, the office thereof designated in the Auction Agreement as the office of the Auction Agent to which notices, requests or communications should be sent.

"*Purchase Account*" means the account so designated in the Purchase and Remarketing Fund.

"*Purchase and Remarketing Fund*" means the Fiscal 2005 Series C Purchase and Remarketing Fund established pursuant to the Certificate.

"*Purchase Price*" means: (i) when used in relation to Tendered Bonds other than Multi-Modal Bonds tendered upon a Conversion from the Fixed Rate Mode, 100% of the principal amount of any Multi-Modal Bond tendered or deemed tendered to the Tender Agent for purchase pursuant to the Certificate; and (ii) when used in relation to Tendered Bonds mandatorily tendered upon Conversion from the Fixed Rate Mode, an amount equal to the Redemption Price that would be payable if such Multi-Modal Bonds had been called for redemption on the Conversion Date; in each case, plus (unless otherwise provided for) accrued and unpaid interest thereon to the date of purchase.

"*Rate*" means the rate of interest payable on Stepped-Coupon Bonds and each Daily Rate, Commercial Paper Rate, Weekly Rate, Term Rate, Purchased Bond Rate, the Fixed Rate or the Auction Rate.

"*Rate Period*" means a period in which Multi-Modal Bonds are Stepped Coupon Bonds or any Daily Rate Period, any Commercial Paper Rate Period, any Weekly Rate Period, any Term Rate Period, the Fixed Rate Period or any Auction Period.

"*Rating Agency*" means each nationally recognized statistical rating organization that has, at the request of the City, a rating in effect for the Multi-Modal Bonds.

"*Rating Category*" means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"*Rating Confirmation*" means a written notice from each Rating Agency that its rating on the Multi-Modal Bonds will not be suspended, withdrawn or reduced (by Moody's) or reduced in Rating Category (by other Rating Agencies) as a result of action proposed to be taken under the Certificate.

"*Record Date*" means, with respect to each Interest Payment Date (unless otherwise specified by an Authorized Officer of the City), (i) for the Initial Rate Period, any Daily Rate Period, any Commercial Paper Rate Period, any Weekly Rate Period or any Auction Period, the close of business on the Business Day preceding such Interest Payment Date, and (ii) during any Term Rate Period or the Fixed Rate Period, or for Stepped-Coupon Bonds, the close of business on the last business day of the calendar month immediately preceding any Interest Payment Date.

"*Remarketing Agent*" means each remarketing agent for Liquidity Enhanced Bonds.

"*Remarketing Agreement*" means each Remarketing Agreement between the City and a Remarketing Agent.

“*Remarketing Proceeds Account*” means the account so designated in the Purchase and Remarketing Fund pursuant to the Certificate.

“*Reset Date*” means the date on which the interest rate on an Adjustable Rate Bond is to be determined.

“*S&P*” means Standard & Poor’s Ratings Services and its successors and assigns; references to S&P are effective so long as S&P is a Rating Agency.

“*Securities Depository*” or “*Depository*” or “*DTC*” means The Depository Trust Company and its nominees, successors and assigns or any other securities depository selected by the City which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

“*Series 2005 C Bonds,*” “*Series C Bonds*” or “*Fiscal 2005 Series C Bonds*” means the City’s General Obligation Bonds, Fiscal 2005 Series C, expected to be issued August 18, 2004.

“*Special Auction Period*” means any period of not less than seven days nor more than three years which is not another Auction Period and which begins on an Interest Payment Date and ends on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

“*Standby Agreement,*” “*Liquidity Facility*” or “*Alternate Standby Agreement*” means an agreement providing, to the extent required by the LFL, for the purchase of any Liquidity Enhanced Bonds, as in effect from time to time. The initial Standby Agreement is a standby bond purchase agreement provided by a Subseries Bank.

“*Standby Purchaser,*” “*Liquidity Provider,*” “*Provider,*” “*Subseries Bank*” or “*Bank*” means any provider of a Standby Agreement then in effect for Liquidity Enhanced Bonds. Initially, the Standby Purchaser is DEPFA BANK plc acting through its New York Agency.

“*Stepped-Coupon Bonds*” means Multi-Modal Bonds bearing interest at rates and for periods of time that are specified without reference to future events or contingencies.

“*Submission Deadline*” means 1:00 p.m., New York City time, on each Auction Date for Bonds not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date for Bonds in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

“*Subseries*” shall mean the Multi-Modal Bonds of Subseries C-2 and C-3, or such Subseries of Multi-Modal Bonds as may be identified from time to time.

“*Subseries Bank*” means DEPFA BANK plc acting through its New York Agency and any other Standby Purchaser that is a bank.

“*Substitute Auction Agent*” means a person acceptable to the Insurer with whom the City enters into a Substitute Auction Agent Agreement.

“*Substitute Auction Agent Agreement*” means an auction agent agreement containing terms substantially similar to the terms of the initial Auction Agreement.

“*Sufficient Clearing Bids*” means an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Tax-Exempt Auction Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Tax-Exempt Auction Rate.

“*Suspension Condition*” means, with respect to the Liquidity Facility provided by a Subseries Bank:

(a) Multi-Modal Bonds of the applicable Subseries shall cease for any reason whatsoever to be valid, binding and enforceable general obligations of the City and the Bond Insurer shall not have either confirmed in writing (signed by an authorized officer) that the bond insurance policy is in full force

and effect or provided an opinion of internal counsel to the Bond Insurer or external counsel experienced in such matters to the effect that the bond insurance policy is in full force and effect notwithstanding the invalidity or unenforceability of the related Bonds;

(b) the Bond Insurer shall claim that the bond insurance policy is not valid and binding on the Bond Insurer, and shall repudiate its obligations thereunder, or the Bond Insurer shall initiate any legal proceedings (including an appellate proceeding) to seek an adjudication that the bond insurance policy is not valid and binding on the Bond Insurer;

(c) any governmental authority with competent jurisdiction shall announce, find or rule that the bond insurance policy is not valid and binding on the Bond Insurer (including any such ruling with respect to a material provision of the bond insurance policy, the effect of which ruling is materially adverse to the Subseries Bank); or

(d) the commencement of an involuntary case or other proceeding against the applicable Bond Insurer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property; the obligation of the Standby Purchaser to purchase the Adjustable Rate Bonds pursuant to the Liquidity Facility shall be reinstated if such involuntary case is dismissed or stayed within a period of 60 days (i.e., prior to such event becoming an Event of Termination); and the obligation of the applicable Standby Purchaser to purchase the applicable Adjustable Rate Bonds shall terminate pursuant to the Liquidity Facility if such involuntary case remains undismissed or unstayed for a period of 60 days (i.e., if such event becomes an Event of Termination).

“*TBMA Municipal Index*” means the TBMA 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 Fiscal Agent and any additional Tender Agent appointed by the City.

“*Tender Date*” means each Optional Tender Date or Mandatory Tender Date.

“*Tender Notice*” means the notice delivered by the Holder of a Liquidity Enhanced Bond subject to optional tender pursuant to the Certificate.

“*Tendered Bond*” means a Liquidity Enhanced 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 Certificate, including a Liquidity Enhanced Bond or portion thereof deemed tendered, but not surrendered on the applicable Tender Date.

“*Term Rate*” means the rate at which Multi-Modal Bonds bear interest during a Term Rate Period.

“*Term Rate Mode*” means a Rate Mode in which Multi-Modal Bonds bear interest at a Term Rate.

“*Term Rate Period*” means a period commencing on a Conversion Date or a date immediately following a Term Rate Period and extending for a period specified by the City.

“*Termination Date*” means the date on which a Liquidity Facility will terminate as set forth in a Notice of Default delivered by the Subseries Bank in accordance with the Standby Agreement.

“*Weekly Index Alternative Rate*” means a rate per annum, expressed as a decimal, equal to the TBMA Municipal Index.

“*Weekly Rate*” means the rate at which Multi-Modal Bonds bear interest during a Weekly Rate Period.

“*Weekly Rate Mode*” means a Rate Mode in which a Multi-Modal Bonds bear interest at a Weekly Rate.

“Weekly Rate Period” means a period commencing on a Conversion Date or the date (Thursday unless otherwise specified by an Authorized Officer of the City) following a Weekly Rate Period, and extending for 7 days.

“Winning Bid Rate” means, if Sufficient Clearing Bids exist, the lowest rate specified in Submitted Bids such that if: (i) each Submitted Bid from Existing Owners specifying such lowest rate and all other Submitted Bids from Existing Owners specifying lower rates were accepted, thus entitling such Existing Owners to continue to hold the principal amount of Bonds subject to such Submitted Bids, and (ii) each Submitted Bid from Potential Owners specifying such lowest rate and all other Submitted Bids from Potential Owners specifying lower rates were accepted, then the Existing Owners described in clause (i) would continue to hold an amount of outstanding Bonds which, when added to the amount of outstanding Bonds to be purchased by Potential Holders described in clause (ii), would be equal to not less than the Available Bonds.

MULTI-MODAL BONDS

The Multi-Modal Bonds are subject to the provisions summarized below. Capitalized terms used in this “APPENDIX B—MULTI-MODAL BONDS” which are not otherwise defined in the Official Statement are defined in “APPENDIX A—DEFINITIONS.”

General

\$100,000,000 aggregate principal amount of the City’s General Obligation Bonds, Fiscal 2005 Series C, are to be issued as Multi-Modal Bonds, of which \$50,000,000 designated as Subseries C-2 (after the Initial Rate Period) will be in the Auction Rate Mode (the “Auction Rate Bonds”) until converted to a different Rate Mode. See “APPENDIX D—AUCTION RATE BONDS” for information regarding the Auction Rate Bonds. The remaining portion of the Multi-Modal Bonds designated Subseries C-3 (after the Initial Rate Period) will be in the Weekly Rate Mode until converted to a different Rate Mode.

The Subseries C-2 Bonds will bear interest at their Initial Rate until the date preceding the first Interest Payment Date and thereafter will bear interest at an Auction Rate until converted to a different Rate Mode. The Subseries C-3 Bonds will bear interest at the Initial Rate from August 18, 2004 to and including August 25, 2004 and thereafter at a Weekly Rate until converted to a different Rate Mode. The Subseries C-3 Bonds will be issued as Liquidity Enhanced Bonds backed by a Liquidity Facility, are subject to mandatory tender for purchase as described under “Mandatory Tender for Purchase” and so long as such Bonds are in a Daily Rate Mode or Weekly Rate Mode, are subject to optional tender for purchase as described under “Optional Tender for Purchase.” The Multi-Modal Bonds will continue in a Rate Mode until converted to another Rate Mode and will bear interest at a rate determined in accordance with the procedures for determining the interest rate during such Rate Mode. See “Conversion to an Alternate Rate Mode” and “Interest Rates and Reset Dates” below.

During the Initial Rate Period for the Liquidity Enhanced Bonds, 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 for Stepped-Coupon Bonds or 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. During the Initial Rate Period for the Auction Rate Bonds and during an Auction Rate Mode with an Auction Period of less than six months, interest will be computed on the basis of a 360-day year for the actual number of days elapsed, and during an Auction Rate Mode with a six month Auction Period or a Special Auction Period of six months or more, interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

Interest on the Multi-Modal Bonds will be payable on each Interest Payment Date to the registered owner thereof as shown on the registration books kept by the Fiscal Agent at the close of business on the applicable Record Date.

Interest payable on Liquidity Enhanced Bonds and Auction Rate Bonds will be the interest accruing and unpaid through and including the day preceding the Interest Payment Date.

Conversion to an Alternate Rate Mode

Subject to the conditions in the Certificate, the City may convert all or a portion of the Multi-Modal Bonds in one Rate Mode to a different Rate Mode by delivering a notice (the “Conversion Notice”) to, as applicable, the Remarketing Agent, the Standby Purchaser, DTC, the Broker-Dealers, the Auction Agent, the Fiscal Agent and the Tender Agent specifying the Multi-Modal Bonds to be converted, the conversion date (the “Conversion Date”) and the Rate Mode that will be effective on the Conversion Date. The City must deliver such Conversion Notice not less than 15 days prior to the Conversion Date or a shorter period if acceptable to the Fiscal Agent and DTC. The Tender Agent is to give written notice to the registered owner of each Liquidity Enhanced Bond of the City’s election to convert to another Rate Mode 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.

The Tender Agent, no later than three days after receipt of the Conversion Notice, is to give notice by first-class mail to the Holders of Liquidity Enhanced Bonds to be converted, which notice must state (i) the Conversion Date; (ii) that the Rate Mode will not be converted unless the City receives on the Conversion Date a Favorable Opinion of Bond Counsel; (iii) the name and address of the principal corporate trust offices of the Fiscal Agent and Tender Agent; (iv) that the Liquidity Enhanced Bonds to be converted will be subject to mandatory tender for purchase on the Conversion Date at the Purchase Price; and (v) that upon the Conversion, if there is on deposit with the Tender Agent on the Conversion Date an amount sufficient to pay the Purchase Price of the Liquidity Enhanced Bonds so converted, such Bonds not delivered to the Tender Agent will be deemed to have been properly tendered for purchase and will cease to represent a right on behalf of the Holder thereof to the payment of principal of or interest thereon and shall represent only the right to payment of the Purchase Price on deposit with the Tender Agent, without interest accruing thereon from and after the Conversion Date.

If less than all of the Adjustable Rate Bonds of a Subseries then subject to a particular Rate Mode are to be converted to a new Rate Mode, the particular Multi-Modal Bonds which are to be converted to a new Rate Mode will be selected by the Fiscal Agent (or, if the City so elects, the City) subject to the provisions of the Certificate regarding Authorized Denominations.

If a Favorable Opinion of Bond Counsel cannot be obtained, or if the election to convert was withdrawn by the City, or if the Remarketing Agent has notified the Fiscal Agent, the City and the Standby Purchaser that it has been unable to remarket the Multi-Modal Bonds on the Conversion Date, the Multi-Modal Bonds will bear interest in the previous Rate Mode or, at the option of the City and in compliance with the provisions of the Certificate regarding conversion of Rate Modes, any other Rate Mode selected by the City.

Interest Rates and Reset Dates

General. The rate at which the Adjustable Rate Bonds will bear interest during any Rate Period will be the rate of interest that, if borne by the Adjustable Rate Bonds for such Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for bonds or other securities which are comparable as to federal income tax treatment, credit and maturity or tender dates with the federal income tax treatment, credit and maturity or tender dates of the Adjustable Rate Bonds, would be the lowest interest rate that would enable the Adjustable Rate Bonds to be sold at a price equal to the principal amount thereof, plus accrued interest, thereon, if any. The Multi-Modal Bonds in the Auction Rate Mode will bear interest in the manner described under “Determination of Auction Rate” in “APPENDIX D—AUCTION RATE BONDS—AUCTION PROCEDURES.” No Rate Period for Liquidity Enhanced Bonds will extend beyond the scheduled Expiration Date of the Liquidity Facility then in effect, if any.

Maximum Rate. The Liquidity Enhanced Bonds may not bear interest at a rate greater than the Maximum Rate. The Tax-Exempt Multi-Modal Bonds in an Auction Rate Mode may not bear interest at a rate greater than the Maximum Tax-Exempt Auction Rate.

Daily Rate. The Daily Rate for any Business Day is to be determined by the Remarketing Agent and announced by 10:00 a.m., New York City time, on such Business Day. For any day which is not a Business Day, the Daily Rate will be the Daily Rate for the immediately preceding Business Day.

If (i) a Daily Rate for a Daily Rate Period has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Certificate, (iii) the Rate so established is held to be invalid or unenforceable with respect to a Daily Rate Period, or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Daily Rate, the Daily Rate for such Daily Rate Period will be the TBMA Municipal Index on the date such Daily Rate was to have been determined by the Remarketing Agent.

Weekly Rate. The Weekly Rate is to be determined by the Remarketing Agent and announced by 4:00 p.m., New York City time, on each Wednesday, and if such Wednesday is not a Business Day, then the next preceding Business Day. The Weekly Rate Period means a period commencing on a Thursday and extending to and including the next succeeding Wednesday.

If (i) a Weekly Rate has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Certificate, (iii) the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable with respect to a Weekly Rate Period, or (iv) pursuant to the 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 be determined by the Remarketing Agent.

Commercial Paper Rate. The Commercial Paper Rate Period for each Adjustable Rate Bond in a Commercial Paper Rate Mode 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. Commercial Paper Rate Periods may be from 1 to 365 days. If the Remarketing Agent fails to specify the next succeeding Commercial Paper Rate Period, such Commercial Paper Rate Period will be the shorter of (i) seven days or (ii) the period remaining to but not including the maturity or redemption date of such Bond. Each Adjustable Rate Bond in a Commercial Paper Rate Mode is to bear interest during a particular Commercial Paper Rate Period at a rate per annum equal to the interest rate determined above corresponding to the Commercial Paper Rate Period. An Adjustable Rate Bond can have a Commercial Paper Rate Period and bear interest at a Commercial Paper Rate that differs from other Adjustable Rate Bonds in the Commercial Paper Rate Mode.

If (i) a Commercial Paper Rate for a Commercial Paper Rate Period has not been determined by the Remarketing Agent, (ii) no Remarketing Agent is serving under the Certificate, (iii) the Commercial Paper Rate determined by the Remarketing Agent is held to be invalid or unenforceable with respect to a Commercial Paper Rate Period, 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 Period was to have been determined by the Remarketing Agent.

Term Rate. The Term Rate for any Term Rate Period is to be determined by the Remarketing Agent not later than a date two Business Days prior to the Conversion Date or the first day of the next Term Rate Period. If the Remarketing Agent is unable to remarket all of the Adjustable Rate 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 first day of a Term Rate Period increase the interest rate to that rate of interest which would be the lowest rate that would enable the Adjustable Rate Bonds to be sold on such first day at a price of par, plus accrued interest, if any. No less than 20 Business Days prior to the end of each Term Rate Period, the City must deliver to the Fiscal Agent, the Tender Agent and the Remarketing Agent written notice of the City's determination of the next succeeding Term Rate Period, which Term Rate Period is to end on the day preceding a Business Day. However, if the City fails to specify the next succeeding Term Rate Period, such Term Rate Period will be the same period as the immediately preceding Term Rate Period but not later than a day preceding a Business Day that is prior to the maturity date.

If for any reason, the interest rate for the Adjustable Rate Bonds in the Term Rate Mode is not determined by the Remarketing Agent in the manner specified above, the interest rate will be equal to Municipal Market Data General Obligation Yield on bonds with the then long-term ratings as the Bonds that mature on a date that is as nearly as practical the same date as the date on which the new Term Rate Period for such Adjustable Rate Bonds will end. Such interest rate will 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 Adjustable Rate Bonds will be the interest rate then in effect on such Adjustable Rate Bonds.

Fixed Rate or Stepped Coupons. The rate or rates for Bonds in the Fixed Rate Mode or Stepped-Coupon Bonds shall be determined by the Remarketing Agent or other investment banking firm or firms with which the City has entered into an agreement for the purchase, as underwriters, of the Multi-Modal Bonds on the Conversion Date to Fixed Rate Bonds or Stepped-Coupon Bonds as agreed

to by the City. If the rate or rates for Bonds in the Fixed Rate Mode or Stepped-Coupon Bonds have not been determined as aforesaid for any reason, then the former Rate Period will continue in effect, unless the City elects another Rate Mode in accordance with the Certificate.

Once the Multi-Modal Bonds are converted to bear interest as Bonds in the Fixed Rate Mode or Stepped-Coupon Bonds, the Multi-Modal Bonds will not be converted to bear interest at any other rate until such time as the Adjustable Rate Bonds are subject to optional redemption. Once the Multi-Modal Bonds in the Fixed Rate Mode or Stepped-Coupon Bonds are subject to optional redemption, the City may on any potential optional redemption date convert the interest rate on all or part of such Multi-Modal Bonds to an Auction Rate or, provided a Liquidity Facility is in effect to the extent required by the LFL, a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Term Rate. If for any reason a new interest rate is not determined, then the former Rate Mode will continue in effect, unless the City elects another Rate Mode in accordance with the Certificate.

Auction Rate. The Multi-Modal Bonds in the Auction Rate Mode will bear interest at the Auction Rate for each Auction Period as described below and in accordance with the Auction Procedures included in this Official Statement as Appendix D. The Auction Period commencing immediately after any change in the Rate Mode to an Auction Rate Mode will commence from and include the Conversion Date and will expire on the date determined and certified to the Fiscal Agent (with a copy to the Broker-Dealers and the Insurer) by the City on or before the Conversion Date. The initial Auction Date immediately after any change in the Rate Mode to an Auction Rate Mode will be the date determined and certified to the Fiscal Agent (with a copy to the Broker-Dealers, the Auction Agent and the Insurer) by the City on or before the Conversion Date. The Auction Rate for the first Auction Period immediately after any change in the Rate Mode to an Auction Rate Mode will be the rate of interest per annum determined and certified to the Fiscal Agent (with a copy to the City and the Insurer) by a Broker-Dealer on a date not later than the Conversion Date. The Auction Period following each Initial Rate Period will be an Auction Period of generally seven days. Thereafter, each Auction Period will be an Auction Period of the same duration, unless such Auction Period is changed to another Auction Period as described in Appendix D hereto. The Auction Rate during such Auction Periods will be the rate of interest determined as described in Appendix D hereto.

Optional Tender for Purchase

General. So long as a no Liquidity Condition is in effect, an Adjustable Rate 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 Mode or the first day of a Weekly Rate Period (the "Optional Tender Date") 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 an Adjustable Rate Bond registered in the name of DTC is to be given by the DTC Participant on behalf of the Beneficial Owner of the Adjustable Rate Bond and will not be given by DTC. Notice of the election to tender for purchase of an Adjustable Rate Bond registered in any other name is to be given by the registered owner of such Adjustable Rate Bond or its attorney-in-fact.

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

A DTC Participant or the registered owner of an Adjustable Rate Bond must give written notice of its irrevocable election to tender such Adjustable Rate Bond or a portion thereof for purchase at its option to the Tender Agent and the Remarketing Agent at their respective principal offices, in the case of Adjustable Rate Bonds bearing interest in a Daily Rate Mode, by no later than 10:00 a.m. on any Business Day which such Adjustable Rate Bond or portion thereof is to be purchased and in the case of Adjustable Rate Bonds bearing interest in a Weekly Rate Mode by no later than 12:00 noon, New York City time, on the Business Day prior to the commencement date of the next Weekly Period for such Bonds. In addition, the registered owner of an Adjustable Rate Bond is required to deliver such Bond to the Tender Agent at its principal corporate trust office at or prior to 1:00 p.m., New York City time, on such Optional Tender Date.

The Multi-Modal Bonds in a Commercial Paper Mode, Term Mode, Fixed Rate Mode or an Auction Rate Mode are not subject to optional tender for purchase.

Mandatory Tender for Purchase

So long as no Liquidity Condition is in effect, the Liquidity Enhanced Bonds which are affected by the following actions 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 the Adjustable Rate Bonds being converted to a different Rate Mode;
- (b) on the Business Day following each Rate Period for the Adjustable Rate Bonds in the Commercial Paper Rate Mode or the Term Rate Mode;
- (c) on a Business Day that is not less than three Business Days prior to the Expiration Date of the Liquidity Facility then in effect with respect to a Subseries of Adjustable Rate Bonds, which will be drawn upon to pay the Purchase Price of tendered Adjustable Rate Bonds, unless such Liquidity Facility has been extended, or a substitute delivered with Rating Confirmation or mandatory tender, at least 15 days prior to such Expiration Date;
- (d) unless a Rating Confirmation is provided not less than two Business Days before the effective date of a substitute Liquidity Facility delivered pursuant to the Certificate with respect to a Subseries of Adjustable Rate Bonds, on which date the Liquidity Facility in effect prior to the substitute liquidity facility will be drawn upon to pay the Purchase Price of tendered Adjustable Rate Bonds that are not remarketed; and
- (e) on a Business Day that is not less than one Business Day prior to the Termination Date of a Liquidity Facility relating to a Subseries of Adjustable Rate Bonds specified in the Default Notice delivered by the Standby Purchaser or its agent in accordance with the Liquidity Facility.

Whenever Adjustable Rate Bonds are to be tendered for purchase in accordance with (a) above, the Tender Agent is to give notice to the Holders of Adjustable Rate Bonds indicating that such Bonds are subject to mandatory tender for purchase on the date specified in such notice. The Tender Agent is to give notice by first-class mail and not later than three calendar days after receipt by the Tender Agent of the Conversion Notice from the City. The failure of any Holder of any portion of Adjustable Rate Bonds to receive such notice will not affect the validity of such Conversion to a new Rate Mode.

Whenever Adjustable Rate Bonds are to be tendered for purchase in accordance with (c), (d) or (e) above, the Tender Agent is to give notice to the Holders of Adjustable Rate Bonds indicating that such Bonds are subject to mandatory tender for purchase on the date specified in such notice. The Tender Agent is to give such notice by first-class mail and not less than five calendar days prior to the effective date of the expiration or earlier termination of the affected Liquidity Facility then in effect or of the effective date of a substitute Liquidity Facility or prior to the date specified in the Default Notice. The failure of any Holder of any portion of Adjustable Rate Bonds to receive such notice will not affect the validity of the proceedings in connection with the effectiveness of the affected Liquidity Facility.

Bonds Deemed Purchased

The Adjustable Rate 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 Certificate, irrespective of whether such Adjustable Rate Bonds have been presented and surrendered to the Tender Agent, if on the Tender Date money sufficient to pay the Purchase Price thereof are held by the Tender Agent. The former registered owner of a Tendered Bond or an Adjustable Rate Bond deemed to have been tendered and purchased will have no claim thereunder or under the Certificate or otherwise for payment of any amount other than the Purchase Price, and such Adjustable Rate Bond or portion thereof will no longer be Outstanding for purposes of the Certificate.

Purchase Price and Payment

On each Tender Date, a Tendered Bond will be purchased at the applicable Purchase Price. The Purchase Price of a Tendered Bond is the principal amount of the Adjustable Rate Bond to be tendered or the amount payable to the registered owner of a Purchased Bond following receipt by such owner of a purchase notice from the Remarketing Agent, plus accrued and unpaid interest from the immediately preceding Interest Payment Date. If the date of purchase is an Interest Payment Date, then the Purchase Price will not include accrued and unpaid interest, which will be paid to the Holder of record on the applicable Record Date.

The Purchase Price of a Tendered 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 System." Payment will be made without presentation and surrender of the Tendered 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 Adjustable Rate Bond will be paid, in same-day funds, only after presentation and surrender of the Adjustable Rate Bond to the Tender Agent at its Delivery Office. Payment will be made by 4:15 p.m., New York City time, on the Tender Date on which an Adjustable Rate 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 Adjustable Rate Bonds tendered for purchase, money made available by the Standby Purchaser under the Liquidity Facility then in effect and money furnished by or on behalf of the City (which has no obligation to do so).

No Extinguishment

Bonds held by any Standby Purchaser or by the Fiscal Agent or the Tender Agent for the account of any Standby Purchaser following payment of the purchase price of such Bonds by the Fiscal Agent or the Tender Agent with money provided by any Standby Purchaser shall not be deemed to be retired, extinguished or paid and shall for all purposes remain outstanding.

Liquidity Conditions

Upon the occurrence of a Suspension Condition, the Subseries Bank's obligations to purchase the related Bonds shall immediately be suspended (but not terminated) without notice or demand to any person and thereafter the Subseries Bank shall be under no obligation to purchase such Bonds (nor shall such Bonds be subject to optional or mandatory tender for purchase) unless and until the Subseries Bank's commitment is reinstated pursuant to the Liquidity Facility. Promptly upon the occurrence of such Suspension Condition, the Subseries Bank shall notify the City, the Tender Agent, the Fiscal Agent and the Remarketing Agent of such suspension in writing and the Tender Agent shall promptly relay such notice to the Bondholders upon receipt; but the Subseries Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of its obligation to purchase such Bonds. If the Suspension Condition shall be cured as described in the Liquidity Facility, the obligations of the Subseries Bank under the Liquidity Facility shall be reinstated (unless the Subseries Bank obligations shall have expired or shall otherwise have been terminated or suspended as provided in the Liquidity Facility).

Upon the occurrence of an Event of Termination, the Standby Purchaser's obligation under the Liquidity Facility to purchase the related Bonds shall immediately terminate without notice or demand to any person, and thereafter the Standby Purchaser shall be under no obligation to purchase such Bonds (nor shall such Bonds be subject to optional or mandatory tender for purchase). Promptly upon the occurrence of such event the affected Standby Purchaser shall give written notice of the same to the City, the Tender Agent, the Fiscal Agent and the Remarketing Agent and the Tender Agent shall promptly relay such notice to the Bondholders upon receipt; but the affected Standby Purchaser shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of its obligation to purchase such Bonds.

Inadequate Funds for Tender

If the funds available for purchase of Bonds backed by a Standby Purchaser are inadequate for the purchase of all such Bonds tendered on any purchase date, or a Liquidity Condition shall exist then the affected Bonds shall bear interest from such date at the highest rate provided by law for interest on accrued claims against municipalities as of such date and shall no longer be subject to optional or mandatory tender for purchase (except upon Conversion); and the Tender Agent shall immediately: (i) return all such undefeased tendered Bonds to the owners thereof; (ii) return all money received for the purchase of such Bonds to the persons providing such money; and (iii) give written notice to all such Bondowners. As long as no Liquidity Condition exists, the obligation to deposit funds in sufficient amounts to purchase such Bonds from either proceeds of the applicable Liquidity Facility or remarketing proceeds shall remain enforceable pursuant to the terms thereof and hereof, and shall only be discharged at such time as funds are deposited with the Tender Agent in an amount sufficient to purchase all such Bonds that were required to be purchased on such tender date, together with any interest which has accrued to the subsequent purchase date.

Remarketing of Bonds Upon Tender

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to use its best efforts to remarket a Tendered Bond on its Tender Date at a price equal to the Purchase Price or, if such Adjustable Rate Bonds are being remarketed upon their conversion from the Term Rate Mode or the Fixed Rate Mode, such Bonds will be remarketed at a price equal to par. The Remarketing Agreement sets forth, among other things, certain conditions to the Remarketing Agent's obligation to remarket Tendered Bonds.

By 10:30 a.m., New York City time, on each Tender Date, the Remarketing Agent is to give notice by telephone to the Fiscal Agent, the Tender Agent, the Standby Purchaser and the City specifying the principal amount of Bonds which have been tendered for purchase and remarketed, along with the principal amount of Tendered Bonds, if any, for which it has not arranged a remarketing. The Tender Agent is, on such Tender Date, to obtain funds under the applicable Liquidity Facility in accordance with its terms in an amount equal to the difference between the Purchase Price of the Tendered Bonds subject to purchase and the remarketing proceeds available to the Tender Agent.

Defeasance

For the purpose of determining whether Multi-Modal Bonds shall be deemed to have been defeased, the interest to come due on such Multi-Modal Bonds shall be calculated at the maximum applicable rate; and if, as a result of such Multi-Modal Bonds having borne interest at less than the maximum rate for any period, the total amount on deposit for the payment of interest on such Multi-Modal Bonds exceeds the total amount required, the balance shall be paid to the City. In addition, Multi-Modal Bonds shall be deemed defeased only if there shall have been deposited money in an amount sufficient for the timely payment of the maximum amount of principal of and interest on such Multi-Modal Bonds that could become payable to the Bondholders upon the exercise of any applicable optional or mandatory tender for purchase.

Liquidity Facility

For each Subseries of Adjustable Rate Bonds that is not defeased and is subject to optional or mandatory tender for purchase, the City shall, as required by law, keep in effect one or more letter of credit agreements or liquidity facility agreements for the benefit of the Bondholders of such Subseries, which shall require a financially responsible party or parties other than the City to purchase all or any portion of such Adjustable Rate Bonds duly tendered by the holders thereof for repurchase prior to the maturity of such Adjustable Rate Bonds. A financially responsible party or parties, for the purposes of this paragraph, shall mean a person or persons determined by the Mayor and the Comptroller of the City to have sufficient net worth and liquidity to purchase and pay for on a timely basis all of the Adjustable Rate Bonds which may be tendered for repurchase by the holders thereof. The initial Liquidity Facility is a standby bond purchase agreement.

Each owner of an Adjustable Rate Bond bearing interest at a Daily, Weekly, Commercial Paper Rate or Term Rate (and not defeased) will be entitled to the benefits and subject to the terms of the Liquidity Facility for such Bond. Subject to the terms of the Liquidity Facility, the Liquidity Provider agrees to make available to the Tender Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Adjustable Rate Bonds of the stated Subseries. The initial Liquidity Provider's commitment under the Liquidity Facility will be sufficient to pay the Purchase Price of the Subseries C-3 Bonds. Such Liquidity Facility expires July 1, 2014.

Mandatory purchase by the Liquidity Provider of Liquidity Enhanced Bonds shall occur under the circumstances provided therefor, so long as no Liquidity Condition is in effect, including failure to extend or replace the Liquidity Facility relating to such Subseries of Liquidity Enhanced Bonds and (at the option of the Liquidity Provider) other events, including without limitation breaches of covenants, defaults on other bonds of the City or other entities, and events of insolvency. Notwithstanding the other provisions of the Adjustable Rate Bonds and the Certificate, upon the purchase of a Liquidity Enhanced Bond by the Liquidity Provider, all interest accruing thereon from the last date for which interest was paid shall accrue for the benefit of and be payable to the Liquidity Provider.

If the Liquidity Facility is to be extended or replaced, the City shall give Written Notice to each affected Bondholder at least 5 days prior to the extension or replacement.

To the extent described in the Adjustable Rate Bonds and the Liquidity Facility, if any decrease in the ratings applicable to debt of the Liquidity Provider adversely affects the interest rate payable by the City on any Adjustable Rate Bonds, the City shall have the right to seek a substitute provider or providers to assume the rights and obligations of the Liquidity Provider. The holders of the affected Adjustable Rate Bonds shall be notified of any assumption of the Liquidity Provider's rights and obligations.

The preceding is a summary of certain provisions expected to be included in the initial Liquidity Facility and proceedings under which the Multi-Modal 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 Fiscal Agent. Information regarding the Bank is included herein as "APPENDIX C—THE BANK." Neither the City nor the Underwriters make any representation with respect to the information in "APPENDIX C—THE BANK."

THE BANK

The following information has been provided by DEPFA BANK plc (at times referred to hereinafter as “DEPFA”) for use in this Official Statement. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the City, the Underwriter or the Remarketing Agent. This information has not been independently verified by the City, the Underwriter or the Remarketing Agent. No representation is made by the City, the Underwriter or the Remarketing Agent as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DEPFA BANK plc (“DEPFA”) is the parent company of the DEPFA BANK plc group of companies comprising DEPFA and its consolidated subsidiaries (the “Group”). DEPFA will act through its New York Agency, which is licensed by the Banking Department of the State of New York as an unincorporated agency of DEPFA BANK plc, Dublin. DEPFA is based in Dublin and has a banking license from the Central Bank of Ireland and is regulated by the Irish Financial Services Regulatory Authority. It is registered in the Irish companies Registration Office with company number 348819 and its shares are listed on the Frankfurt Stock Exchange. DEPFA has a network of subsidiaries, branches and offices across many European countries, as well as in North America and Asia.

The Group provides a broad range of products and services to public sector entities, from governmental budget financing and financing of infrastructure projects to placing of public sector assets and investment banking and other advisory services. The Group has direct client contacts with many state entities and focuses on those public sector entities involved in large volume business. The Group advises individual public sector borrowers on their international capital market transactions and preparations for the ratings process.

As of December 31, 2003, DEPFA had total consolidated assets of Euro 174.0 billion, outstanding medium and long term loans to customers of Euro 63 billion, shareholders’ equity of Euro 1.4 billion and consolidated net income of Euro 384 million, determined in accordance with the United States generally accepted accounting principles (US GAAP). DEPFA maintains its records and prepares its financial statements in Euro. At December 31, 2003, the exchange rate was 1.0000 Euro equals 1.2630 United States dollars. Such exchange rate fluctuates from time to time.

On March 1, 2004, DEPFA announced that it intends to sell its German subsidiary, DEPFA Deutsche Pfandbriefbank AG, which represents approximately 50% of the Group’s total assets and approximately 20% of net profits, as of December 31, 2003. Deutsche Pfandbriefbank AG is primarily engaged in public finance in Germany. The transaction should permit DEPFA to de-leverage its balance sheet and further expand and diversify its business internationally, including the U.S. public finance market. Information regarding the status of the sale of DEPFA Deutsche Pfandbriefbank AG is available on DEPFA’s website at: www.depfa.com.

DEPFA is rated “Aa3” long-term and “P-1” short-term by Moody’s, “AA-” long-term and “A-1+” short-term by S&P, and “AA-” long-term and “F1+” short-term by Fitch. In connection with the intended sale of DEPFA Deutsche Pfandbriefbank AG, on March 1, 2004, Moody’s placed DEPFA BANK plc and related entities on negative outlook, noting uncertainty as to how DEPFA will expend sale proceeds. DEPFA’s short-term ratings were not affected.

DEPFA will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: DEPFA BANK plc, New York Agency, 623 Fifth Avenue, 22nd Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date. In addition, updated financial information may be found from the DEPFA website at: www.depfa.com.

[THIS PAGE INTENTIONALLY LEFT BLANK.]

AUCTION RATE BONDS

General

Capitalized terms not otherwise defined in this Appendix D have the meanings set forth in Appendix A to this Official Statement. Each reference to the purchase, sale or holding of “Bonds” shall refer to beneficial interests in Auction Rate Bonds, unless the context clearly requires otherwise. Taxable Auction Rate Bonds are not described herein.

Auction Period and Auction Rate

The Initial Rate Period for the Auction Rate Bonds commences on the date of delivery of such Bonds and ends on the date preceding the first Interest Payment Date. Thereafter, the Auction Period for the Bonds will be an Auction Period of generally seven days, unless such Auction Period is changed to another Auction Period in accordance with the Auction Procedures described below. For any Auction Period, each Bond will bear interest at an Auction Period Rate determined on each Auction Date for each Auction Period with the Auction Procedures described below.

Interest Payment Dates

Interest will be payable initially on August 27, 2004 for the Auction Rate Bonds and succeeding Interest Payment Dates will occur on each Friday thereafter, or if any such day is not a Business Day, the next succeeding Business Day, and at maturity, redemption or Conversion. During Auction Periods other than the seven-day Auction Period, interest on the Bonds will be payable on an Interest Payment Date as described in Appendix A hereto. The record date for the Bonds is the Business Day preceding each Interest Payment Date.

Conversion of Auction Rate Bonds

Subject to the conditions in the Certificate the City may convert all or a portion of the Auction Rate Bonds to a different Mode by delivering a Conversion Notice to the Fiscal Agent, DTC, the Insurer, the Broker-Dealer and the Auction Agent specifying the Bonds to be converted, the Conversion Date and the Mode or Modes that will be effective on the Conversion Date. The Conversion Date for Auction Rate Bonds is an Interest Payment Date. The City must deliver such Conversion Notice not less than 15 days prior to the Conversion Date. The Fiscal Agent is to give written notice to the registered owner of each Bond of the City's election to convert to another Mode and the Conversion Date. Such notice is to be given, by first-class mail, not later than three calendar days after receipt by the Fiscal Agent of the Conversion Notice.

The Fiscal Agent shall, no later than three days after receipt of the Conversion Notice, give notice by first-class mail to the Holders of Bonds to be converted, which notice shall state (i) that such Multi-Modal Bonds will be converted, subject to receipt of a Favorable Opinion of Bond Counsel; (ii) the effective date of such new Mode; (iii) that on the first day of the new Mode all such Multi-Modal Bonds being converted shall be purchased or deemed purchased at a purchase price equal to the principal amount thereof, plus accrued interest, if any; and (iv) the procedures for such purchase.

If less than all of the Auction Rate Bonds of a Subseries and maturity then subject to a particular Mode are to be converted to a new Mode or Modes, the particular Auction Rate Bonds which are to be converted to a new Mode or Modes will be selected by the Fiscal Agent (or, if the City so elects, the City) in such manner as the Fiscal Agent deems appropriate subject to the authorized denominations of the Bonds subject to such Mode.

If the new Mode for any Auction Rate Bonds being so converted is not able to begin by reason of the failure by the City to satisfy any condition thereto, including purchase and remarketing of the Auction Rate Bonds, then the Auction Rate Bonds shall continue to be in the Auction Rate Mode.

Changes in Auction Procedures

The Auction definitions and procedures may be amended by obtaining the consent of the owners of the Auction Rate Bonds and the Insurer for such Bonds. All owners will be deemed to have consented if on the first Auction Date occurring at least 20 days after the Fiscal Agent mailed notice to such owners (i) the Auction Rate determined for such date is the Winning Bid Rate and (ii) there has been delivered to the City and the Fiscal Agent a Favorable Opinion of Bond Counsel.

Changes in Auction Periods and Auction Dates do not require the amendment of the Auction Procedures or the consent of Bondholders. See the description of the auction procedures below.

Calculation of Maximum and Minimum Auction Rates

The Auction Agent shall calculate the Maximum Tax-Exempt Auction Rate and the Minimum Tax-Exempt Auction Rate with respect to the Tax-Exempt Bonds on each Auction Date.

Auction Agent

The Auction Agent shall serve as the Beneficial Owners' agent under the Certificate and the Auction Agent Agreement. Any Substitute Auction Agent shall be (i) subject to the written approval of the Broker-Dealer, (ii) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, New York, or such other location as approved by the City in writing and having a combined capital stock or surplus of at least \$30,000,000, or (iii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$30,000,000, and, in either case, authorized by law to perform all the duties imposed upon it under the Certificate and the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of its duties by giving at least 90 days' notice to the Fiscal Agent and the City. The Auction Agent may be removed at any time by the City upon at least 15 days' notice to the Auction Agent and the Broker-Dealers. Neither resignation nor removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a Substitute Auction Agent has been appointed and has signed a Substitute Auction Agent Agreement. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within 30 days after notifying the Fiscal Agent, the City and the Insurer in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment, even if a successor Auction Agent has not been appointed. The Fiscal Agent shall not be liable for any action taken, suffered or omitted by the Auction Agent.

If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any court or administrative body, the City shall use its best efforts to appoint a Substitute Auction Agent.

Broker-Dealer

The City and the Auction Agent will enter into a Broker-Dealer Agreement with A.G. Edwards & Sons, Inc. with respect to the Bonds, the initial Broker-Dealer specified by the City as the beneficial owners' agent. The City may, from time to time, approve one or more additional Broker-Dealers. Any Broker-Dealer may be removed upon 30 days' notice, at the request of the City, if a Broker-Dealer Agreement is in effect immediately following such removal. Any Broker-Dealer may resign upon 30 days' notice, if a Broker-Dealer Agreement is in effect immediately following such resignation.

Special Considerations Relating to the Auction Rate Bonds

In the event the Auction Agent fails to calculate, or for any reason fails to timely provide, the Auction Rate for any Auction Period, the interest rate for such Auction Period, with respect to the Tax-Exempt Bonds, shall be the No Auction Tax-Exempt Rate; but if the Auction Procedures are suspended due to the failure to pay principal of or interest on any Tax-Exempt Bond, the interest rate for the next succeeding Auction Period shall be the Default Tax-Exempt Rate.

Bondholders may not be able to sell their Bonds in an Auction if there are not Sufficient Clearing Bids, in which case Bondholders may be required to hold their Bonds and such Bonds will bear interest at the Maximum Tax-Exempt Auction Rate (with respect to the Tax-Exempt Bonds) until a new Auction Rate has been established pursuant to the Auction Procedures.

The Broker-Dealer Agreement provides that the Broker-Dealer, A.G. Edwards & Sons, Inc., may submit Orders in Auctions for its own account. Any Broker-Dealer submitting an Order for its own account, unlike other bidders, could have an advantage over other Potential Holders in that it would have knowledge of other Orders placed through it in that Auction. A Broker Dealer would not, however, have knowledge of Orders submitted by other Broker-Dealers, if any. As a result of bidding by a Broker-Dealer in an Auction, the Auction Rate may be higher or lower than the rate that would have prevailed had the Broker-Dealer not bid because the Broker-Dealer's bid may (i) prevent a failed Auction or an "all-hold" Auction or (ii) prevail over the bid or bids submitted by one or more Holders or Potential Holders. A Broker-Dealer may also solicit additional or revised investor bidding in order to prevent an "all-hold" or failed Auction. In the Broker-Dealer Agreement, the Broker-Dealer agrees to handle customers' orders in accordance with its duties under applicable securities laws and rules.

A.G. Edwards & Sons, Inc. has advised the City that it intends to make a market for the Bonds between Auctions. However, A.G. Edwards & Sons, Inc. is not obligated to make such markets, and no assurance can be given that secondary markets therefor will develop.

According to published news reports, the Securities and Exchange Commission (the "Commission") has requested information from a number of broker-dealers regarding certain of their practices in connection with auction rate securities, such as the practices described in the preceding paragraph. The Broker-Dealer has advised the City that it, as a participant in the auction rate securities markets, has received a letter from the Commission requesting that it voluntarily conduct an investigation regarding certain of its practices and procedures in connection with those markets. The Broker-Dealer is cooperating with the Commission in providing the requested information. No assurance can be given as to whether the results of this process will affect the market for the bonds or the auctions therefor.

The preceding and the related appendices summarize provisions expected to be included in the proceedings under which the Multi-Modal Bonds are to be issued as Auction Rate Bonds registered to DTC, and are subject in all respects to the underlying documents, copies of which will be available for inspection during business hours at the office of the Fiscal Agent.

Auction Procedures

During an Auction Rate Mode, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, except that (i) in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

For purposes of this section, the term “Bonds” refers to the Auction Rate Bonds.

Orders by Existing Owners and Potential Owners

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of the Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of the Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof, an Order containing the information referred to in clause (i)(A) above is herein referred to as a “Hold Order,” an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a “Bid,” and an Order containing the information referred to in clause (i)(C) above is herein referred to as a “Sell Order.”

(b) (i) A Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of the section below entitled “Allocation of Bonds” if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of the section below entitled “Allocation of Bonds” if such specified rate shall be higher than the Maximum Tax-Exempt Auction Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of the section below entitled “Allocation of Bonds” if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of the section below entitled “Allocation of Bonds” if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not equal to the authorized denomination for Bonds or an integral multiple thereof shall be rounded down to the nearest amount that is equal to the authorized denomination for Bonds, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent’s receipt of notice from the Fiscal Agent or the City of the occurrence of a payment default by the City and the Insurer and shall resume two Business Days after the date on which the Auction Agent receives notice from the Fiscal Agent that such default has been cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Submission of Orders by Broker-Dealers to Auction Agent

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and, if requested, specifying with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Bonds, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner;

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; but if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Neither the City, the Fiscal Agent nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Determination of Auction Rate

(a) Not later than 9:30 a.m., New York City time, on each Auction Date for Auction Rate Bonds, the Auction Agent shall advise the Broker-Dealers and the Fiscal Agent by telephone or other electronic communication acceptable to the parties of the Minimum Tax-Exempt Auction Rate, the Maximum Tax-Exempt Auction Rate and the Index for the Bonds.

(b) Promptly after the Submission Deadline on each Auction Date for Auction Rate Bonds, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a “Submitted Hold Order,” a “Submitted Bid” or a “Submitted Sell Order,” as the case may be, and collectively as a “Submitted Order”) and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and if so, the Winning Bid Rate, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent shall advise the Fiscal Agent by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction Period and the Fiscal Agent shall promptly notify the Securities Depository of such Auction Rate.

(d) In the event the Auction Agent fails to calculate, or for any reason fails to timely provide, the Auction Rate for any Auction Period, the Auction Period Rate for such Auction Period shall be the No Auction Tax-Exempt Rate; but if the Auction Procedures are suspended due to the failure to pay the principal of or interest on any Bond, the Auction Rate for the next succeeding Auction Period shall be the Default Tax-Exempt Rate.

(e) In the event that all of the conditions for a change in the Mode applicable to the Bonds from an Auction Mode to any other Mode have not been met or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Rate for the next Auction Period shall be the Maximum Tax-Exempt Auction Rate and the Auction Period shall be a seven-day Auction Period.

(f) If the Bonds are not rated or if the Bonds are no longer maintained in book-entry form by the Securities Depository, then the Auction Rate shall be the Maximum Tax-Exempt Auction Rate.

Allocation of Bonds

(a) In the event of Sufficient Clearing Bids for Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for such Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the

denominator of which shall be the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Tax-Exempt Auction Rate with respect to Bonds, shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Tax-Exempt Auction Rate with respect to Bonds, shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Tax-Exempt Auction Rate with respect to Bonds, shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Tax-Exempt Auction Rate with respect to the Bonds shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an integral multiple of the authorized denomination for Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner

or Potential Owner on such Auction Date shall be an integral multiple of the authorized denomination for Bonds, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase a principal amount of Bonds that is less than the authorized denomination for Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate such Bonds for purchase among Potential Owners so that the principal amount of Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of the authorized denomination for Bonds, even if such allocation results in one or more of such Potential Owners not purchasing such Bonds on such Auction Date.

Notice of Auction Rate

(a) On each Auction Date, the Auction Agent shall notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following with respect to Bonds for which an Auction was held on such Auction Date:

- (i) the Auction Rate determined on such Auction Date for the succeeding Auction Period;
- (ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;
- (iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Bonds, if any, to be sold by such Existing Owner;
- (iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Bonds, if any, to be purchased by such Potential Owner;
- (v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and
- (vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of such Bonds to be purchased pursuant to such Bid (including, with respect to such Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of such Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Index

(a) The Index on any Auction Date with respect to the Bonds in any Auction Period of 35 days or less shall be the Seven-Day “AA” Composite Non-Financial Commercial Paper Rate on such date. The Index with respect to Bonds in any Auction Period greater than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period, as last published in The Bond Buyer. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the City.

“Seven-Day “AA” Composite Non-Financial Commercial Paper Rate” on any date of determination, means the interest equivalent of the seven-day rate on commercial paper placed on behalf of non-financial issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Lehman Commercial Paper Inc. and Morgan Stanley & Co. Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the “Commercial Paper Dealers”), to the Auction Agent before the close of business on the Business Day immediately preceding such date of determination.

For purposes of the definitions of Seven-Day “AA” Composite Non-Financial Commercial Paper Rate, the “interest equivalent” means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Seven-Day “AA” Composite Non-Financial Commercial Paper Rate, the Seven-Day “AA” Composite Non-Financial Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS PaineWebber Inc., Bear, Stearns & Co. Inc. or Salomon Smith Barney Inc. or their respective affiliates or successors which are commercial paper dealers (a “Substitute Commercial Paper Dealer”) selected by the City (who shall be under no liability for such selection) to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the City does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

(b) If for any reason on any Auction Date the Index shall not be determined as above described, the Index shall be the Index for the Auction Period ending on such Auction Date.

(c) The determination of the Index as provided herein shall be conclusive and binding upon the City, the Fiscal Agent, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Changes in Auction Period or Auction Date

(a) Changes in Auction Period.

(i) During any Auction Rate Mode, the City may from time to time on any Interest Payment Date, change the length of the Auction Period with respect to any of the Bonds among daily, seven-days, 28-days, 35-days, three months, six months and a Special Auction Period. The City shall initiate the change in the length of the Auction Period by giving written notice to the Insurer, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period for the Bonds specified in such notice shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period; except that in the case of a change from a Special Auction Period of 92 or more days, the date of such change shall be the Interest Payment Date immediately following the last day of such Special Auction Period.

(ii) The change in length of the Auction Period for Bonds shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes

of the Auction for the first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds for which there is to be a change in the length of the Auction Period except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to above is not met, the Auction Rate for the next Auction Period shall be the Maximum Tax-Exempt Auction Rate and the Auction Period shall be a seven-day Auction Period.

(iii) On the conversion date for Bonds from one Auction Period to another, any Bonds which are not the subject of a specific Hold Order or Bid shall be deemed to be subject to a Sell Order.

(b) Changes in Auction Date.

During any Auction Rate Mode, the Auction Agent, with the written consent of the City, may specify an Auction Date for Bonds other than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date." The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Fiscal Agent, the City, the Broker-Dealers and the Securities Depository.

[THIS PAGE INTENTIONALLY LEFT BLANK.]

BOND INSURER

The following information pertaining to CDC IXIS Financial Guaranty North America, Inc. (“CIFGNA”) has been supplied by CIFGNA. The City makes no representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date indicated. Summaries of or references to the insurance policy to be issued by CIFGNA are made subject to all the detailed provisions thereof to which reference is hereby made for further information and do not purport to be complete statements of any or all of such provisions. See “APPENDIX F—SPECIMEN INSURANCE POLICY.”

CDC IXIS Financial Guaranty North America, Inc.

Concurrently with the issuance of the Bonds, CIFGNA will issue its Financial Guaranty Insurance Policy for the Bonds. The Financial Guaranty Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Financial Guaranty Insurance Policy included as an exhibit to this Official Statement.

CIFGNA is a monoline financial guaranty insurance company incorporated under the laws of the State of New York, with its principal place of business in New York City.

The claims-paying ability (also referred to as its financial strength) of CIFGNA is rated “AAA” by Fitch, “Aaa” by Moody’s, and “AAA” by Standard and Poor’s, the highest rating assigned by each such Rating Agency. Each rating of CIFGNA should be evaluated independently. The ratings reflect the respective rating agency’s current assessment of the creditworthiness of CIFGNA and its ability to pay claims on its policies of insurance based upon, among other factors, the adequacy of the net worth maintenance and reinsurance agreements provided by CIFG described below under “—Capitalization”. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the Rating Agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. CIFGNA does not guarantee the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

CIFGNA is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile, and is licensed to do business in over 40 jurisdictions. CIFGNA is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of such insurers to financial guaranty insurance and related lines, requires that each such insurer maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for each such insurer, and limits the size of individual transactions (“single risks”) and the volume of transactions (“aggregate risks”) that may be underwritten by such insurers. Other provisions of the New York Insurance Law applicable to non-life insurance companies such as CIFGNA regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings. CIFGNA is required to file quarterly and annual statutory financial statements with the New York State Insurance Department (“NYSID”), and is subject to statutory restrictions concerning the types and quality of its investments and the filing and use of policy forms and premium rates. Additionally, CIFGNA’s accounts and operations are subject to periodic examination by the NYSID.

THE INSURANCE PROVIDED BY THE FINANCIAL GUARANTY INSURANCE POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED BY THE INSURANCE LAWS OF THE STATE OF NEW YORK.

Capitalization

In addition to its capital and surplus as set forth below, CIFGNA is supported by a net worth maintenance agreement from its indirect parent, CDC IXIS Financial Guaranty, a French reinsurance

corporation (“CIFG”). The net worth maintenance agreement provides that CIFG will maintain CIFGNA’s U.S. statutory capital and surplus at no less than \$80 million. In addition, through a facultative reinsurance agreement, CIFGNA may cede up to 90% of its exposure on each transaction to CIFG; however, the facultative reinsurance agreement does not require that CIFG reinsure its exposure under any transaction. CIFG’s claims paying ability is rated “Aaa” by Moody’s, “AAA” by Standard & Poor’s and “AAA” by Fitch, the highest rating assigned by each such rating agency. *Notwithstanding these net worth maintenance and reinsurance agreements, the holders of the Bonds will have direct recourse against CIFGNA only, and neither CIFG nor any other affiliate of CIFGNA will be directly liable to the holders of the Bonds.*

The following table sets forth the capitalization of CIFGNA as of March 31, 2004, on the basis of accounting principles prescribed or permitted by the NYSID (in thousands):

Common capital stock	\$ 19,700
Gross paid in and contributed surplus	110,925
Unassigned funds (retained deficit)	(33,942)
Surplus as regards policyholders	\$ 96,683

There has been no material adverse change in the capitalization of CIFGNA from March 31, 2004 to the date of this Official Statement.

Audited financial statements of CIFGNA as of December 31, 2003, prepared in accordance with statutory accounting principles applicable to insurance companies, may be obtained by writing to CIFGNA at 825 Third Avenue, 6th Floor, New York, New York 10022, Attention: Finance Department. The toll-free telephone number of CIFGNA is (866) CIFG 212.

The Financial Guaranty Insurance Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. CIFGNA makes no representation regarding the Bonds or the advisability of investing in the Bonds. CIFGNA makes no representation regarding this Official Statement, nor has it participated in the preparation thereof, except that CIFGNA has provided to the Issuer the information presented under this caption for inclusion in this Official Statement.

SPECIMEN INSURANCE POLICY



CDC IXIS Financial Guaranty North America, Inc.
825 Third Avenue, Sixth Floor
New York, NY 10022
For information, contact (212) 909-3939
Toll-free (866) 243-4212

FINANCIAL GUARANTY INSURANCE POLICY

ISSUER:

Policy No.: CIFGNA-#

CUSIP:

Effective Date:

OBLIGATIONS:

CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC. (CIFGNA), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to each Policyholder, subject only to the terms and conditions of this Policy (which includes each endorsement hereto), the full and complete payment by or on behalf of the Issuer of Regular Payments of principal of and interest on the Obligations.

For the further protection of each Policyholder, CIFGNA irrevocably and unconditionally guarantees:

(1) payment of any amount required to be paid under this Policy by CIFGNA following CIFGNA's receipt of notice and instruments of assignment as described in Endorsement No. 1 hereto; and

(2) payment of the amount of any distribution of principal of and interest on the Obligations made during the Term of this Policy to each Policyholder that is subsequently avoided in whole or in part as a preference payment under applicable law (such payment to be made by CIFGNA in accordance with Endorsement No. 1 hereto).

CIFGNA shall be subrogated to the rights of each Policyholder to receive payments under the Obligations to the extent of any payment by CIFGNA hereunder. Upon disbursement of respect to an Obligation, CIFGNA shall become the owner of the Obligation, appurtenant coupon, if any, and all rights to payment of principal thereof or interest thereon.

The following terms shall have the meanings specified below, subject to and including any modifications set forth in any endorsement hereto, for all purposes of this Policy: "Policyholder" means, if the Obligations are in book-entry form, the registered owner of any Obligation as indicated on the registering books maintained by or on behalf of the Issuer for such purpose or, if the Obligations are in bearer form, the holder of any Obligation; provided, however, that any trustee acting on behalf of and for the benefit of such registered owner or holder shall be deemed to be the Policyholder to the extent of such trustee's authority. "Regular Payments" means payments of interest and principal which are agreed to be made during the Term of this Policy in accordance with the original terms of the Obligations when issued and without regard to any amendment or modification of such Obligations hereafter; payments which become due on an accelerated basis as a result of (a) a default by the Issuer or any other person, or an election by the Issuer to pay principal or other amounts on an accelerated basis or (c) any other cause, shall not constitute "Regular Payments" unless CIFGNA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration. "Term of this Policy" shall have the meaning set forth in Endorsement No. 1 hereto.

This Policy sets forth in full the undertaking of CIFGNA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto or to the Obligations, except a contemporaneous or subsequent agreement or instrument given by CIFGNA or to which CIFGNA has given its written consent, or by the merger, consolidation or dissolution of the Issuer. The premiums payable under this Policy are nonrefundable for any reason whatsoever, including payment, or provision being made, for payment, of the Obligations prior to maturity. This Policy may not be cancelled or revoked during the Term of this Policy, including for nonpayment of premiums due to CIFGNA. Payments under this Policy may not be accelerated except at the sole option of CIFGNA.

In witness whereof, CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC. has caused this Policy to be executed on its behalf by its Authorized Officer:

CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC.

By _____
Authorized Officer

[THIS PAGE INTENTIONALLY LEFT BLANK.]

SIDLEY AUSTIN BROWN & WOOD LLP

APPENDIX G

CHICAGO
DALLAS
LOS ANGELES
SAN FRANCISCO
WASHINGTON, D.C.

787 SEVENTH AVE.
NEW YORK, NEW YORK 10019
TELEPHONE 212 839 5300
FACSIMILE 212 839 5599
www.sidley.com
FOUNDED 1866

BEIJING
GENEVA
HONG KONG
LONDON
SHANGHAI
SINGAPORE
TOKYO

August 18, 2004

HONORABLE WILLIAM C. THOMPSON, JR.
COMPTROLLER
The City of New York
Municipal Building
New York, New York 10007

Dear Comptroller Thompson:

We have acted as counsel to The City of New York (the “City”), a municipal corporation of the State of New York (the “State”), in the issuance of its General Obligation Bonds, Fiscal 2005 Series C (the “Bonds”).

The Bonds are issued pursuant to the provisions of the Constitution of the State, the Local Finance Law of the State, and the Charter of the City, and in accordance with a certificate of the Deputy Comptroller for Public Finance and related proceedings (the “Certificate”).

Based on our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State and the Charter of the City and constitute valid and legally binding obligations of the City for the payment of which the City has validly pledged its faith and credit, and all real property within the City subject to taxation by the City is subject to the levy by the City of *ad valorem* taxes, without limit as to rate or amount, for payment of the principal of and interest on the Bonds.

2. Interest on the Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

3. Except as provided in the following sentence, interest on the Subseries C-1, C-2 and C-3 Bonds (the “Tax-Exempt Bonds”) is not includable in the gross income of the owners of the Tax-Exempt Bonds for purposes of federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes on or after the date on which any action is taken under the Bond proceedings upon the approval of counsel other than ourselves.

4. Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could

result in tax consequences, upon which we render no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

5. The excess, if any, of the amount payable at maturity of any maturity of the Tax-Exempt Bonds over the initial offering price of such Bonds to the public at which price a substantial amount of such maturity is sold represents original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Tax-Exempt Bonds. The Code further provides that such original issue discount excluded as interest accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of Tax-Exempt Bonds with original issue discount will be increased by the amount of such accrued interest.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable, and the enforcement of related contractual and statutory covenants of the City and the State may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK.]

[THIS PAGE INTENTIONALLY LEFT BLANK.]

