

In the opinion of Bond Counsel, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2004I, J and K ARS Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Series 2004I, J and K ARS Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See “SECTION VI: TAX MATTERS” herein. It is also the opinion of Bond Counsel that, by virtue of the Act, interest on the Series 2004I, J and K ARS Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).



NASSAU COUNTY INTERIM FINANCE AUTHORITY

(A Public Benefit Corporation of the State of New York)

\$150,000,000 Sales Tax Secured Variable Rate Bonds, Series 2004I, J and K ARS
(Auction Rate Securities)

consisting of

\$50,000,000 Series 2004I

\$50,000,000 Series 2004J

\$50,000,000 Series 2004K

Dated: Date of Delivery

Due: November 15, as shown on the inside front cover

The Sales Tax Secured Variable Rate Bonds, Series 2004I, J and K ARS (Auction Rate Securities) (the “Series 2004I, J and K ARS Bonds”) are being issued as Senior Bonds by the Nassau County Interim Finance Authority (the “Authority”), a corporate governmental agency and instrumentality of the State constituting a public benefit corporation created pursuant to the Nassau County Interim Finance Authority Act, as amended (the “Act”), pursuant to an Indenture, dated as of October 1, 2000, as amended and supplemented (the “Indenture”), including as supplemented by the Twelfth Supplemental Indenture, dated as of December 1, 2004 (the “Twelfth Supplemental Indenture”), each by and between the Authority and The Bank of New York, New York, New York, as trustee (the “Trustee”).

Provided certain statutory and contractual conditions are met, other Series of Bonds on a parity with or subordinate to the Series 2004I, J and K ARS Bonds may be issued (other Series of Bonds heretofore or hereafter issued under the Indenture, including the Series 2004I, J and K ARS Bonds but excluding Subordinate Bonds, the “Bonds”). See “SECTION II: Sources of Payment and Security for the Bonds—Additional Bonds.”

Pursuant to the Act, the Bonds are payable from the Revenues of the Authority which are derived from sales and compensating use taxes imposed by and within the County of Nassau, New York (the “County”) pursuant to authorization of the State. Neither the State nor the County is prohibited from amending, modifying, repealing or otherwise altering such taxes, subject, with respect to the County, to limitations set forth in the Act. The Act provides that the County will have no right, title or interest in or to Sales Tax Revenues required to be paid to the Authority, except after payment of debt service and operating expenses of the Authority and then as provided in the Authority’s agreements with the County. See “SECTION II: “Sources of Payment and Security for the Bonds.”

THE BONDS ARE PAYABLE SOLELY FROM AND SECURED BY A LIEN ON THE REVENUES OF THE AUTHORITY AND RELATED ACCOUNTS HELD BY THE TRUSTEE. THE BONDS ARE NOT A DEBT OF EITHER THE STATE OR THE COUNTY, AND NEITHER THE STATE NOR THE COUNTY SHALL BE LIABLE THEREON, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE AUTHORITY.

The Series 2004I, J and K ARS Bonds will be issued only as fully registered bonds, registered in the name of The Depository Trust Company, New York, New York, or its nominee (“DTC”). Purchases of beneficial interests in the Series 2004I, J and K ARS Bonds will be made in book-entry form in denominations of \$25,000 principal amount or whole multiples thereof. Purchasers will not receive physical delivery of the Series 2004I, J and K ARS Bonds, except under the limited circumstances described herein. See “SECTION III: The Series 2004I, J and K ARS Bonds—Book-Entry Only System.”

The Series 2004I, J and K ARS Bonds initially will be in an Auction Rate Mode. For a description of the method of determination of interest rates, interest periods, interest payment dates and certain other terms applicable to the Series 2004I, J and K ARS Bonds, see the inside cover.

Each series of the Series 2004I, J and K ARS Bonds will bear interest in an Auction Rate Mode from and including their date of delivery to but excluding the date on which the Mode applicable to such series is changed to another Mode, in which event that series will be subject to mandatory tender for purchase on such date at a purchase price equal to the principal amount thereof, plus accrued interest. **This Offering Circular, in general, describes the Series 2004I, J and K ARS Bonds only during the Auction Rate Mode.**

The Series 2004I, J and K ARS Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.

Payment of the principal of and interest on the Series 2004I, J and K ARS Bonds when due will be insured by a financial guaranty insurance policy to be issued by CDC IXIS Financial Guaranty North America, Inc. simultaneously with the delivery of the Series 2004I, J and K ARS Bonds.



This cover page contains information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Offering Circular to obtain information essential to making an informed investment decision.

The Series 2004I, J and K ARS Bonds are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality of the Series 2004I, J and K ARS Bonds and certain other matters by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the General Counsel of the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York. It is expected that the Series 2004I, J and K ARS Bonds will be available for delivery in New York, New York, on or about December 9, 2004.

Goldman, Sachs & Co.

Underwriter and Broker-Dealer for the
Series 2004I Bonds

UBS Financial Services Inc.

Underwriter and Broker-Dealer for the
Series 2004J Bonds

Morgan Stanley

Underwriter and Broker-Dealer for the
Series 2004K Bonds

\$150,000,000
Nassau County Interim Finance Authority
Sales Tax Secured Variable Rate Bonds, Series 2004I, J and K ARS
(Auction Rate Securities)
consisting of

\$50,000,000 Series 2004I
CUSIP Number* 631663GF2

\$50,000,000 Series 2004J
CUSIP Number* 631663GG0

\$50,000,000 Series 2004K
CUSIP Number* 631663GH8

The initial interest rate established by the Authority for each series of the Series 2004I, J and K ARS Bonds will apply to the period commencing on their date of issuance to and including the applicable initial Auction Date. Thereafter, each series will bear interest at an Auction Rate resulting from an Auction conducted for each Auction Period on each Auction Date in accordance with the Auction Procedures described in this Offering Circular, subject to certain conditions and exceptions. Interest on each series of Series 2004I, J and K ARS Bonds will be payable commencing on the initial Interest Payment Date for each such series, and on each Interest Payment Date thereafter. The initial Auction Date and each Auction Date thereafter and the initial Interest Payment Date and each Interest Payment Date thereafter are set forth below for each series of Series 2004I, J and K ARS Bonds.

Series	Initial Auction Date	Auction Date ⁽¹⁾	Auction Period ⁽²⁾	Initial Interest Payment Date	Interest Payment Date ⁽³⁾	Final Maturity (November 15)
2004I	December 14, 2004	each Tuesday	seven-day	December 15, 2004	each Wednesday	2025
2004J	December 14, 2004	each Tuesday	seven-day	December 15, 2004	each Wednesday	2025
2004K	December 14, 2004	each Tuesday	seven-day	December 15, 2004	each Wednesday	2025

- (1) Subject to certain conditions and exceptions as described herein.
- (2) Subject to certain exceptions (see Appendix C - Auction Procedures-Definitions-Auction Period.)
- (3) Subject to certain exceptions (see Appendix C - Auction Procedures-Definitions-Interest Payment Date.)

Prospective purchasers of each series of Series 2004I, J and K ARS Bonds should carefully review the Auction Procedures described in Appendix C, and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell Series 2004I, J and K ARS Bonds based upon the results of an Auction, (ii) Auctions will be conducted through telephone, facsimile transmission or other similar electronic means of communication and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Series 2004I, J and K ARS Bonds may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer.

The length of an Auction Period for each series of Series 2004I, J and K ARS Bonds may be changed as described herein. The Series 2004I, J and K ARS Bonds of each series will not be subject to mandatory tender for purchase upon a change in the length of an Auction Period; however, notice of such change will be given as further described herein, and, in such case, any Series 2004I, J and K ARS Bonds that are not the subject of a specific Order shall be deemed to be subject to a Sell Order.

The Bank of New York will serve as Auction Agent. Goldman, Sachs & Co. will serve as Broker-Dealer for the Series 2004I Bonds, UBS Financial Services Inc. will serve as Broker-Dealer for the Series 2004J Bonds and Morgan Stanley will serve as Broker-Dealer for the Series 2004K Bonds.

* CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2004I, J and K ARS Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2004I, J and K ARS Bonds or as indicated above.

The information in this Offering Circular has been provided by the Authority, the County and other sources considered by the Authority to be reliable. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

The Underwriters have provided the following sentence for inclusion in this Offering Circular. The Underwriters have reviewed the information in this Offering Circular in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Other than with respect to information concerning the Bond Insurer contained in “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Bond Insurance” and in Appendix F hereto, none of the information in this Offering Circular has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to:

- the accuracy or completeness of information it has neither supplied nor verified,
- the validity of the Series 2004I, J and K ARS Bonds, or
- the tax exempt status of the interest on the Series 2004I, J and K ARS Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation with respect to the Series 2004I, J and K ARS Bonds, other than those contained in this Offering Circular, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2004I, J and K ARS Bonds, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Offering Circular contains forecasts, projections and estimates that are based on current expectations. In light of the important factors that may materially affect economic conditions in the County and the amount of Sales Tax Revenues (as defined herein), the inclusion in this Offering Circular of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the Underwriters 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 in this Offering Circular, 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 Authority. These forward-looking statements speak only as of the date of this Offering Circular. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

THE SERIES 2004I, J AND K ARS BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY CORPORATION. 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 CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2004I, J AND K ARS BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF TERMS

The following is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular. Terms used in this summary and not defined herein are defined in “APPENDIX B: SUMMARY OF INDENTURE AND AGREEMENT.”

- Issuer The Nassau County Interim Finance Authority (the “Authority”) is a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented and amended from time to time including, but not limited to, Chapter 528 of the Laws of 2002 (the “Act”).
- Securities Offered \$150,000,000 Sales Tax Secured Variable Rate Bonds, Series 2004I, J and K ARS (Auction Rate Securities) (the “Series 2004I, J and K ARS Bonds”) are to be issued as Senior Bonds pursuant to an Indenture, dated as of October 1, 2000 as amended and supplemented, including as supplemented by the Twelfth Supplemental Indenture, dated as of December 1, 2004 (such Indenture as from time to time amended or supplemented by said and other Supplemental Indentures being herein called the “Indenture”), by and between the Authority and the Trustee. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.”
- The Series 2004I, J and K ARS Bonds (along with other Series of Senior Bonds heretofore or hereafter issued under the Indenture, the “Bonds”) will be payable from Revenues, which consist primarily of Sales Tax Revenues required by the Act to be paid to the Authority as described herein. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Servicing – Sales Tax Collection.”
- Trustee The Bank of New York, New York, New York. See “SECTION XIII: TRUSTEE.”
- Auction Agent..... The Bank of New York, New York, New York.
- Servicer The New York State Department of Taxation and Finance collects Sales Tax Revenues, described below, and reports the amount of such collections to the State Comptroller. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Servicing – Sales Tax Collection.”
- Disbursement Agent..... Collections of Sales Tax Revenues are remitted to the State Comptroller who holds such collections in trust for the Authority. The State Comptroller deposits such Revenues with the Trustee, in accordance with instructions from the Authority, for payment of Debt Service and other expenses of the Authority. Such collections are applied, in accordance with the Act, in the following order of priority: first, pursuant to the Authority’s contracts with bondholders, including payment of Debt Service, then to pay Authority expenses not otherwise provided for, and then, pursuant to the Financing Agreement between the Authority and the County, to the County as frequently as practicable. For

information regarding payment of Sales Tax Revenues to the Authority, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Sales Tax Revenues” and “— Application of Revenues.”

Not Debt of State or County ... The Bonds are not a debt of either the State or the County, and neither the State nor the County shall be liable thereon. The Bonds are not payable out of any funds other than those of the Authority. The State is not obligated to make any additional payments or impose any taxes to satisfy the Debt Service obligations of the Authority.

Bankruptcy Prohibition The Authority is not authorized by State law to file a petition in bankruptcy pursuant to Title 11 (the “Bankruptcy Code”) of the United States Code. In addition, under the Act, the County and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of the Authority and the State Comptroller, and no such petition may be filed while Authority bonds or notes remain Outstanding.

Purpose of Issue The proceeds from the sale of the Series 2004I, J and K ARS Bonds will be deposited in the Bond Proceeds Fund established under the Agreement (or deposit in escrow accounts in the case of refundings) hereinafter defined and held by the Authority to be used, along with other funds of the Authority, if any, including proceeds of another series of Senior Bonds (the “Series 2004H Bonds”) expected to be issued as fixed rate bonds in the principal amount of \$187,275,000 on or about the same day as the Series 2004I, J and K ARS Bonds, to provide for the payment of certain Financeable Costs, including the refunding of a portion of the County’s outstanding bonds identified in Appendix G, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements and to pay costs of issuance. See “SECTION III: THE SERIES 2004I, J AND K ARS BONDS — Plan of Finance And Use of Proceeds.”

Sales Tax Revenues The Bonds are payable from the Authority’s Revenues which consist of Sales Tax Revenues which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law and investment earnings on money and investments on deposit in the Accounts established under the Indenture. Sales Tax Revenues are defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County, currently at the rate of 4¼%, on the sale and use of tangible personal property and services in the County (the “Local Sales Tax”) but excluding (i) the ¼% component of the Local Sales Tax that the County is required to allocate to towns and cities within the County under the Local Government Assistance Program established by the County and authorized pursuant to Section 1262-e of the State Tax Law, and (ii) the up to 1/12% component of the Local Sales Tax the County is authorized to allocate to villages within the County, which has established a local government assistance program for such villages. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Sales Tax Revenues.” The Act provides that the County will have no right, title or interest in or to Sales Tax Revenues required

to be paid to the Authority, except after payment of debt service and operating expenses of the Authority pursuant to the Authority’s contracts with bondholders and then as provided in the Authority’s agreements with the County. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Application of Revenues.” Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or County.

Enabling Legislation The Act provides for the issuance of bonds, notes and other evidence of indebtedness by the Authority, including the Bonds, the payment of the Bonds from Sales Tax Revenues, the execution of swap contracts and the statutory and contractual covenants of the Authority, the County and the State.

State Covenant The Act and the Indenture contain the covenant of the State with the Bondholders (the “State Covenant”) that the State shall not limit, alter or impair the rights vested in the Authority by the Act to fulfill the terms of the Indenture, or in any way impair the rights and remedies of such holders of the Bonds or the security for the Bonds until such Bonds, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged.

The State Constitution allows the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the Local Sales Tax. Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or the County.

For more information regarding the State Covenant, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Agreements of the State and the County.”

County Covenant In accordance with the Act, the County has, in the Agreement hereinafter defined, pledged and agreed with the Bondholders (the “County Covenant”) that the County will not limit, alter or impair the rights vested by the Act in the Authority to fulfill the terms of any agreements made with such holders pursuant to the Act, or in any way impair the rights and remedies of such holders or the security for the Bonds until the Bonds are fully paid and discharged. Nothing contained in the Act or the Agreement restricts any right the County may have to amend, modify or otherwise alter local laws imposing or relating to the Local Sales Tax so long as, after giving effect to such amendment, modification or other alteration, the amount of Sales Tax Revenues projected by the Authority to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration is not less than 200% of maximum annual debt service on all Authority bonds, notes and other evidences of indebtedness then outstanding.

For more information regarding the County Covenant, see “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Agreements of the State and the County.”

Other Series of Bonds and
Notes

The Authority has previously issued \$1,779,685,000 of Bonds, of which \$1,411,150,000 are currently Outstanding. In addition, the Authority has issued several Series of bond anticipation notes of which none are Outstanding. Other Series of bonds and notes are expected to be issued from time to time by the Authority. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Additional Bonds.”

The Act authorizes the issuance of bonds and notes, without limit, to finance capital projects and cash flow needs of the County, as well as, to the extent authorized by State law, any County deficit. In addition, the Authority may issue bonds up to limits as currently set forth in the Act, exclusive of any bonds issued to finance reserves, capitalized interest or costs of issuing such obligations as follows: to refinance the County’s indebtedness (up to \$415 million); to refinance only tax certiorari settlements or assignments of any kind to which the County is a party (\$790 million); and to finance tax certiorari judgments and settlements of the County (up to \$400 million if the proceeding commenced before June 1, 2000, and up to \$400 million, in aggregate, for proceedings commenced between June 1, 2000 and December 31, 2007, however, of said \$400 million, only \$15 million may be issued in 2006 and \$10 million may be issued in 2007). The Act currently provides that the Authority may not issue Bonds after December 31, 2007, other than Bonds or notes to retire or otherwise refund Authority debt. No Bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issue.

The Indenture provides that other Series of Bonds means those Bonds and notes that may be issued: (i) as Senior Bonds or Senior Notes on a parity with other Series of Senior Bonds or Senior Notes, (ii) as subordinate to the Senior Bonds (or notes in anticipation thereof); but (iii) no Series of Senior Bonds or Senior Notes on a parity with other Series of Senior Bonds and Senior Notes shall be authenticated and delivered unless the amount of Sales Tax Revenues received by the Authority for the twelve consecutive calendar months ended not more than three months prior to the calculation date is at least three (3) times the amount of annual Debt Service, including Debt Service on the Series of Senior Bonds or Senior Notes proposed to be issued, for each fiscal year Bonds or Notes will be Outstanding.

Upon the issuance of additional Senior Bonds, under the circumstances and in the amounts described herein under “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds,” the Authority may be required to fund a Debt Service Liquidity Account which amounts would be available to pay Debt Service on all Senior Bonds. See “APPENDIX B: SUMMARY OF INDENTURE AND AGREEMENT.”

Auction Dates, Auction
Periods and Interest

Payment Dates The Series 2004I, J and K ARS Bonds initially will be in an Auction Rate Mode. For a description of the method of determination of interest rates, interest periods, and Interest Payment Dates, see the inside cover of this Offering Circular.

Optional Redemption and
Mandatory Sinking Fund
Redemption.....

The Series 2004I, J and K ARS Bonds are subject to optional and mandatory sinking fund redemption. See “SECTION III: THE SERIES 2004I, J AND K ARS BONDS — Redemption Provisions.”

Form and Denomination

The Series 2004I, J and K ARS Bonds will be issued in book-entry form and will be denominated in principal amounts of \$25,000 and integral multiples thereof.

Indenture

The Indenture provides for the issuance of the Bonds pursuant to the Act, including the Authority’s pledge to the Trustee of the revenues, accounts and statutory and contractual covenants contained therein. The Trustee is authorized to enforce the Indenture and such covenants against the Authority, the County and the State.

Financing Agreement.....

The Financing Agreement, dated as of October 1, 2000, between the Authority and the County (the “Agreement”), provides for the application of bond proceeds to pay Financeable Costs, including funding certain expenditures of the County, and includes covenants of the County pledged to the benefit of Bondholders.

Collection Account

The State Comptroller is required by the Act, commencing on or before the twelfth day of each month, to pay Sales Tax Revenues collected during the next preceding calendar month (with partial payments to be made on or before the last day of June and December consisting of collections made during the first 25 days of such months) to the Authority for application in accordance with the Act. The Authority has instructed the State Comptroller to pay Sales Tax Revenues directly to the Trustee for application in accordance with the Act and the Indenture. See “Application of Revenues” below.

All Revenues received by the Authority are deposited immediately into the Collection Account.

Bond Account

The Bond Account is held by the Trustee in accordance with the terms of the Indenture. The Trustee shall deposit amounts from the Collection Account into the Bond Account (i) in accordance with the procedures described below for the payment of Debt Service, and (ii) to provide for the payment of Notes and Senior Agreements, if any, that are to be paid out of the Bond Account on a parity with the Senior Bonds. Currently the Authority is a party to certain Senior Agreements (the scheduled payments under the swap contracts entered into with respect to the Series 2004B through G ARS Bonds) and expects to enter into swap contracts, the scheduled payments under which will constitute Senior Agreements, in connection with the Series 2004I, J and K ARS Bonds.

Application of Revenues..... All Revenues in the Collection Account shall be applied upon receipt by the Trustee in the following order of priority: *first*, to the Bond Account or Redemption Account to pay Debt Service and for the payment of Senior Agreement providers, if any, including scheduled payments on such swap contracts, in accordance with the Retention Procedures described in the paragraph below and the amount, if any, necessary to replenish the Debt Service Liquidity Account to the extent of any withdrawal therefrom; *second*, pursuant to Supplemental Indentures for the benefit of Noteholders, Subordinate Bondholders and parties to ancillary and swap contracts (other than Senior Agreements), including payments of any termination amounts or fees owing under any swap contracts, to the extent such Supplemental Indentures may require application of Revenues to pay items after payments of Debt Service but prior to operating expenses; *third*, to the Authority’s operating expenses, including deposits to the Redemption Account for optional redemption of the Senior Bonds, if any, and any reserves held by the Authority for payment of operating expenses; *fourth*, to the payment of debt service on certain notes of the Authority to the extent required by Supplemental Indentures relating to such notes; and *then*, to the County as frequently as practicable, excess Revenues, free and clear of the lien of the Indenture.

Retention Procedures At the beginning of each calendar month, the Trustee shall transfer all Revenues from the Collection Account to the Bond Account until the amount in the Bond Account is equal to Accrued Debt Service to the last day of such month. Such transfer shall be appropriately adjusted to reflect the date of issue of Bonds or Senior Notes, any accrued or capitalized interest deposited in the Bond Account, or any other amounts irrevocably pledged to the payment of such Debt Service for such period, actual rates of interest, any amount needed or held in the Accounts for Debt Service, and any purchase or redemption of Bonds or Senior Notes, so that there will be available on each payment date the amount necessary to pay Debt Service, and so that accrued or capitalized interest will be applied to the installments of interest to which it is applicable.

Tax Exemption..... In the opinion of Bond Counsel, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2004I, J and K ARS Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Series 2004I, J and K ARS Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. See “SECTION VI: TAX MATTERS” herein. It is also the opinion of Bond Counsel that, by virtue of the Act, interest on the Series 2004I, J and K ARS Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

Credit Enhancement..... Payment of the principal of and interest on the Series 2004I, J and K ARS Bonds when due will be insured by a financial guaranty insurance policy to be issued by CDC IXIS Financial Guaranty North America, Inc. simultaneously with the delivery of the Series 2004I, J and K ARS Bonds.

Ratings The Series 2004I, J and K ARS Bonds are expected to be rated “AAA” by Fitch Ratings (“Fitch”), “AAA” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”), and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) (each a “Rating Agency” and, collectively, the “Rating Agencies”), based on the expectation that the Bond Insurer will deliver their municipal bond insurance policies at the time of issuance of the Series 2004I, J and K ARS Bonds. The unenhanced ratings of the Series 2004I, J and K ARS Bonds are “AA+” by Fitch, “AA” by Standard & Poor’s, and “Aa2” by Moody’s. A security rating should be evaluated independently of similar ratings of different types of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to a revision or withdrawal at any time by the assigning rating organization. See “SECTION VII: RATINGS.”

Authority Contact..... Mr. Richard Luke, Executive Director and Treasurer
Nassau County Interim Finance Authority
170 Old Country Road, Suite 205
Mineola, NY 11501
Phone Number: (516) 248-2630

[THIS PAGE INTENTIONALLY LEFT BLANK]

SECTION I: INTRODUCTION

This Offering Circular of the Nassau County Interim Finance Authority (the “Authority”) sets forth information concerning the Authority in connection with the sale of the Authority’s \$150,000,000 Sales Tax Secured Variable Rate Bonds, Series 2004I, J and K ARS (Auction Rate Securities) (the “Series 2004I, J and K ARS Bonds”) and, together with other Series of Senior Bonds, the “Bonds”). The Authority expects to issue on or about the delivery date of the Series 2004I, J and K ARS Bonds, a Series of fixed rate Bonds (the “Series 2004H Bonds”), in the aggregate principal amount of \$187,275,000, which will be offered pursuant to a separate offering circular. The Authority is a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000 and as amended from time to time (the “Act”).

The Series 2004I, J and K ARS Bonds are being issued as Senior Bonds pursuant to the Act and an Indenture dated as of October 1, 2000, as amended and supplemented, including as supplemented by the Twelfth Supplemental Indenture (the “Twelfth Supplemental Indenture”), dated as of December 1, 2004 (such Indenture as from time to time amended or supplemented by said and other Supplemental Indentures being herein called the “Indenture”), by and between the Authority and The Bank of New York, as Trustee (the “Trustee”). See “SECTION XIII: TRUSTEE.” The Authority and the County of Nassau, New York (the “County”) have entered into a Financing Agreement (the “Agreement”), dated as of October 1, 2000, which provides, among other things, for the application of Bond proceeds. A summary of certain provisions of the Indenture and the Agreement, together with certain defined terms used therein and in this Offering Circular, are contained in Appendix B hereto.

The proceeds of the Series 2004I, J and K ARS Bonds will be deposited in the Bond Proceeds Fund established under the Agreement (or in escrow accounts in the case of refundings or restructurings) and held by the Authority to be used, along with other funds of the Authority, if any, including proceeds of the Series 2004H Bonds, to provide for the payment of certain Financeable Costs, including the refunding or restructuring of a portion of the County’s outstanding bonds identified in Appendix G, tax certiorari judgments and settlements to which the County is a party, other legal judgments and settlements and to pay costs of issuance. See “SECTION III: THE SERIES 2004I, J AND K ARS BONDS — Plan of Finance and Use of Funds.”

The Bonds are payable from the Authority’s Revenues which consist primarily of Sales Tax Revenues (each as defined herein). In accordance with the Act, Authority Revenues are applied first, pursuant to the Authority’s contracts with bondholders, including the payment of Debt Service, and then, in the order of priority provided in the Indenture and the Agreement, and on a subordinate basis to the Bonds, to pay Authority expenses not otherwise provided for, to pay debt service on other obligations of the Authority, and to the County as frequently as practicable.

On June 23, 2000 the Governor signed into law the Act creating the Authority. Under the Act, the Authority has both limited authority to oversee the County’s finances, including covered organizations as defined in the Act (“Covered Organizations”), and upon the declaration of a “control period,” additional oversight authority. The Authority is required to review the terms of and comment on the prudence of each proposed issuance of bonds or notes proposed to be issued by the County, and no such borrowing shall be made unless first reviewed and commented upon and, during a control period, approved by the Authority. Upon request of the County, the Authority has the power to issue its bonds and notes to pay Financeable Costs, all as more fully described below. See “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS — Additional Bonds.”

The Act authorizes the issuance of Bonds and notes, without limit, to finance capital projects and cash flow needs of the County, as well as, to the extent authorized by State law, any County deficit. In addition, the Authority may issue Bonds up to limits as currently set forth in the Act, exclusive of any Bonds issued to finance reserves, capitalized interest or costs of issuing such obligations as follows: to refinance any County indebtedness (up to \$415 million); to refinance only tax certiorari settlements or assignments of any kind to which the County is a party (\$790 million); and to finance tax certiorari judgments and settlements of the County (up to \$400 million if the proceeding commenced before June 1 2000, and up to \$400 million, in aggregate, for proceedings commenced between June 1, 2000 and December 31, 2007, however, of said \$400 million, only \$15 million may be issued in 2006 and \$10 million may be issued in 2007). Bonds issued to refund Bonds theretofore issued for purposes subject to the debt limits described above are not counted against such limits. The Act provides that the Authority may not issue Bonds or notes after 2007, other than to retire or otherwise refund Authority debt. No Bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issue. For additional information regarding the issuance of parity or subordinate obligations of the Authority, see "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES — Additional Bonds."

The Authority has previously issued \$1,779,685,000 of Bonds, of which \$1,411,150,000 are currently Outstanding. In addition, the Authority has issued several series of bond anticipation notes, of which none are Outstanding.

SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Act authorizes the Authority to issue debt and secure the repayment of such debt with a pledge of the Authority's right, title and interest in the Revenues of the Authority, which are required by the Act to be paid to the Authority. In accordance with the Act, Authority Revenues are applied first, pursuant to the Authority's contracts with bondholders, including the payment of Debt Service, and then, in the order of priority provided in the Indenture and the Agreement, and on a subordinate basis to the Bonds, to pay Authority expenses not otherwise provided for, to pay debt service on other obligations of the Authority, and to the County as frequently as practicable. The Authority's Revenues are derived from the amounts payable to it from Sales Tax Revenues which, together with investment earnings on money and investments on deposit in the Accounts established under the Indenture are the only source of payment for the holders of the Bonds. See "Sales Tax Revenues" below. Pursuant to the Act and the Indenture, the Authority has pledged the Revenues to the Trustee for payment of the Bonds. The Act provides that the Authority's pledge of its Revenues represents a perfected first security interest on behalf of the holders of the Bonds. The lien of the Indenture on the Revenues for the security of the Bonds is prior to all other liens thereon.

The Authority does not have, nor is it expected to have, any significant assets or sources of funds other than Sales Tax Revenues and amounts on deposit pursuant to the Indenture. The Series 2004I, J and K ARS Bonds will not be insured or guaranteed by the County, the State or the Trustee. The State is not obligated to make any additional payments or impose any taxes to satisfy the Debt Service obligations of the Authority. See "Sales Tax Revenues" below.

The Authority is not authorized by State law to file a petition in bankruptcy pursuant to Title 11 (the "Bankruptcy Code") of the United States Code. In addition, under the Act, the County and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of the Authority and the State Comptroller, and no such petition may be filed while Authority bonds or notes

remain Outstanding. Under the Act, the term Covered Organizations includes the Nassau County Health Care Corporation and any other governmental agency, public authority or public benefit corporation which receives or may receive moneys directly, indirectly or contingently from the County, excluding the Authority, any State public authority, any instrumentality created by interstate compact and any governmental agency, public authority or public benefit corporation exempted by the Authority upon the Authority's finding that such exemption does not materially adversely affect the ability of the County to adopt and maintain a budget pursuant to the Act, provided that, during the period of such exemption, there shall be audited financial statements of such exempted entity prepared in accordance with accounting principles generally accepted in the United States of America. Pursuant to its enabling legislation, the Nassau County Sewer and Storm Water Finance Authority is a covered organization under the Act.

Sales Tax Revenues

The Bonds are payable from the Authority's Revenues which consist principally of Sales Tax Revenues which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law and investment earnings on money and investments on deposit in the Accounts established under the Indenture. Sales Tax Revenues are defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County, currently at the rate of 4 $\frac{1}{4}$ %, on the sale and use of tangible personal property and services in the County (the "Local Sales Tax") but excluding (i) the $\frac{1}{4}$ % component of the Local Sales Tax that the County is required to allocate to towns and cities within the County under the local government assistance program established by the County and authorized pursuant to Section 1262-e of the State Tax Law, and (ii) the up to $\frac{1}{12}$ % component of the Local Sales Tax the County is authorized to allocate to villages within the County under a local government assistance program for such villages. The Local Sales Tax is the largest source of revenue for the County, accounting for approximately 40% of County revenues in its five major operating funds in its 2004 budget (excluding interdepartmental and interfund revenues). The current total sales tax rate in the County is 8 $\frac{3}{4}$ %, of which 4 $\frac{1}{2}$ % is the State's share and 4 $\frac{1}{4}$ % is the Local Sales Tax. For a description of the servicing and application of Sales Tax Revenues, see "Servicing-Sales Tax Collection" and "Application of Revenues" below.

Pursuant to authorizing legislation enacted by the State in 1965, the County has imposed a Local Sales Tax since 1969, at a base rate of 2% which was increased to 3% in 1972. In addition, for a one-year period commencing September 1976 and continuously since June 1983, the State has authorized the County to impose various incremental rates in addition to the base rate of 3%. Since 1986, enabling legislation has been enacted periodically by the State permitting the County to increase the Local Sales Tax rate for a generally two-year period by three-quarters of one percent, from the base rate of 3% to 3 $\frac{3}{4}$ %, with one-third of such increment (equivalent to a $\frac{1}{4}$ % component) required to be allocated to towns and cities within the County. In addition, since 1991, enabling legislation has been enacted periodically by the State permitting the County to increase the Local Sales Tax rate for a generally two-year period by an additional one-half of one percent, from 3 $\frac{3}{4}$ % to 4 $\frac{1}{4}$ %.

Since 1997, the State legislation extending the 4 $\frac{1}{4}$ % Local Sales Tax rate also authorized the County to establish a local government assistance program for the villages within the County and to allocate up to one-sixth of the $\frac{3}{4}$ % incremental component of the Local Sales Tax remaining after required allocations are made to towns and cities within the County to the villages (equivalent to a $\frac{1}{12}$ % component). Such a program would result in a loss to the County of up to the $\frac{1}{12}$ % component of the Local Sales Tax. The County has established a local government assistance program with the villages for its 2001 through 2005 fiscal years. As a result, the amount of such Local Sales Tax allocated to this program will be excluded from Sales Tax Revenues. The amount so excluded from Sales Tax Revenues for the 2001 through 2003 fiscal years of the County was approximately \$250,000 each year and for the

2004 and 2005 fiscal years of the County the amount so excluded from Sales Tax Revenues is projected by the County to be approximately \$500,000 and \$750,000, respectively.

The County Legislature has adopted local laws to implement the State’s authorization to impose both the additional three-quarters of one percent and the additional one-half of one percent through November 30, 2005, the current limit of the State’s authorization for such incremental components. If such provisions are not renewed, the existing 3% base rate will be in effect. No assurance can be given that either the County Legislature or the State will enact legislation extending the effective date of the additional three-quarters of one percent and the additional one-half of one percent components of the Local Sales Tax beyond November 30, 2005. The following table sets forth the dates that incremental sales tax components in addition to the 3% base rate have been in effect since 1980:

<u>Effective Dates</u>	<u>Incremental Rate</u>	<u>Total Local Sales Tax Rate</u>
June 1, 1983 through December 31, 1985	1.00%	4.00%
January 1, 1986 through August 31, 1991	0.75%	3.75%
September 1, 1991 through November 30, 2005	1.25%	4.25%

The amount of future Sales Tax Revenues to be collected depends upon various factors including the economic conditions in the County. Economic conditions in the County have reflected numerous cycles of growth and recession. There can be no assurance that historical data relating to economic conditions in the County are predictive of future trends. For more information regarding the economic conditions in the County, see “APPENDIX A — ECONOMIC AND DEMOGRAPHIC PROFILE.” In addition, the State has in the past enacted amendments to the Tax Law to exempt specified goods and services from the imposition of the sales and compensating use tax, or to reduce the rate of the sales tax on such goods and services. There can be no assurance that future proposals will not result in additional exemptions or reductions.

The following table sets forth the history of the County’s Local Sales Tax collections since 1981, as reported on a modified accrual basis in the County’s financial statements. The amounts do not include the ¼% component of the Local Sales Tax the County has been required to allocate to towns and cities within the County under the County’s local government assistance program since 1985, which are excluded from Sales Tax Revenues. However, the amounts set forth below do not exclude any allocations to villages within the County prior to 2001, since no local government assistance program for villages existed. From fiscal year 1981 to fiscal year 2003, the average annual compound growth rate for Local Sales Tax collections was approximately 6.14%. Since 1996, the fiscal year of the County has ended on December 31 of each year.

SALES TAX COLLECTIONS
EXCLUSIVE OF LOCAL GOVERNMENT ASSISTANCE PROGRAM ALLOCATION
(000's omitted)

County Fiscal Year	Actual Sales Tax Revenues	County Fiscal Year	Actual Sales Tax Revenues
1981	\$226,020	1992	\$520,129
1982	233,956	1993	553,983
1983 ⁽¹⁾	296,773	1994	575,562
1984	363,847	1995 ⁽⁴⁾	435,282
1985	378,664	1996 ⁽⁴⁾	788,329
1986 ⁽²⁾	386,857	1997	653,091
1987	416,415	1998	673,431
1988	431,933	1999	713,931
1989	452,736	2000	755,967
1990	450,971	2001	779,714
1991 ⁽³⁾	469,913	2002	811,147
		2003	838,085

(1) Local Sales Tax rate increased from 3% to 4% at the beginning of June and remained at 4% through 1985.

(2) Local Sales Tax rate reduced from 4% to 3¾% at the beginning of 1986.

(3) Local Sales Tax rate increased from 3¾% to 4 ¼% effective September 1, 1991.

(4) Fiscal Year 1995 was a 9-month year, and Fiscal Year 1996 was a 15-month year.

SOURCE: Office of the County Comptroller.

Retail trade in the County, according to the 1997 Economic Census⁽¹⁾ prepared by the U.S. Census Bureau, involved 14,642 establishments with \$16.87 billion in sales. Major contributors to retail sales activity, not all of which may be subject to the sales and compensating use tax, include: motor vehicles and parts dealers, with 867 establishments accounting for \$3.71 billion in sales; food and beverage stores, with 1,680 establishments accounting for \$2.41 billion in sales; nonstore retailers (such as mail order shopping), with 3,247 establishments accounting for \$2.20 billion in sales; general merchandise stores such as department stores, with 212 establishments accounting for \$1.73 billion in sales; clothing and accessories stores, with 1,936 establishments accounting for \$1.49 billion in sales; health and personal care stores, with 856 establishments accounting for \$1.08 billion in sales; and building material, garden equipment and supplies dealers, with 526 establishments accounting for \$1.07 billion in sales.

As set forth in the following table of New York State's top retailing counties, the 1997 Economic Census showed the County to be ranked second in the State for retail sales.

⁽¹⁾ The U.S. Economic Census presents a detailed portrait of the economy once every five years, from the national to the local level. According to the U.S. Census Bureau, data for states, metropolitan areas, counties and cities from the 2002 Economic Census will be published starting in late 2004 and finishing in mid-2005.

NEW YORK STATE TOP RETAILING COUNTIES
(000's omitted)

	1997		1992	
	Rank	1997 Retail Sales	Rank	1992 Retail Sales
New York (Manhattan)...	1	\$19,964,095	1	\$17,442,237
Nassau.....	2	16,876,869	2	13,752,351
Suffolk	3	13,879,345	3	10,795,088
Westchester.....	4	9,438,521	4	7,441,033
Queens	5	9,237,429	5	7,331,563
Erie	6	8,224,419	6	7,244,316
Kings.....	7	8,407,009	7	6,922,469
Monroe.....	8	6,681,881	8	5,607,577
Onondaga.....	9	4,485,858	9	3,814,020
Albany	10	3,634,657	10	3,045,916

SOURCE: U.S. Census Bureau, Retail Trade.

The County is served by six regional shopping centers: Broadway Mall in Hicksville, Roosevelt Field in Garden City, Green Acres in Valley Stream, Bay Harbor Mall in Lawrence, Sunrise Mall in Massapequa and The Simon Mall at The Source in Westbury. Major retailers in the County include Saks Fifth Avenue, Bloomingdale's, Lord & Taylor, Nordstrom's, Macy's, Fortunoff's, Sears, JC Penney, Marshalls, Old Navy, Kohl's and Target. According to the International Council of Shopping Centers, a global trade association of the shopping center industry, these regional malls feature a total of 6,889,934 square feet of gross leasable area.

Servicing—Sales Tax Collection

Sales Tax is collected by vendors and service providers in the County and remitted to the New York State Department of Taxation and Finance monthly, quarterly or annually based on the volume of sales. The New York State Department of Taxation and Finance reports the amounts of such collections to the State Comptroller, and such amounts are deposited daily with such banks, banking houses or trust companies, as may be designated by the State Comptroller, to the credit of the State Comptroller in trust for the Authority to the extent net collections from sales taxes imposed by the County are payable to the Authority. After retaining such amount as the State Commissioner of Taxation and Finance may determine to be necessary for refunds and for the reasonable costs of the State Tax Commissioner in administering, collecting and distributing such taxes, on or before the twelfth day of each month, the State Comptroller is required to pay to the Authority Sales Tax Revenues collected during the next preceding calendar month, provided, however, that the State Comptroller is required to make a partial payment on or before the last day of June and December consisting of collections made during and including the first 25 days of such months. The amount of Sales Tax Collections received by the Authority each month in a year may vary from the amount for such month received by the Authority in prior years because of the impact of amounts deducted from or added to such payments to reflect the recalculation by the New York State Department of Taxation and Finance of actual amounts of Sales Tax Revenues collected. The Authority has instructed the State Comptroller to pay Sales Tax Revenues directly to the Trustee for application in accordance with the Act and the Indenture. For more information regarding the application of Sales Tax Revenues upon receipt by the Trustee, see "Application of Revenues" below. The following table sets forth, on a cash basis, monthly distributions of Local Sales Tax collections since January 2001.

**MONTHLY SALES TAX COLLECTION DISTRIBUTIONS
TO THE AUTHORITY FROM THE STATE COMPTROLLER***

Date	2001	2002	2003	2004
JANUARY	\$ 20,421,900.35	\$ 21,070,011.85	\$ 17,059,980.88	\$24,198,249.11
FEBRUARY	64,057,311.19	68,820,953.71	67,249,121.99	69,375,540.61
MARCH	46,827,146.61	50,087,429.05	55,498,957.28	56,939,381.19
APRIL	90,016,597.12	88,461,766.96	76,429,549.41	85,525,757.42
MAY	55,382,600.36	58,594,453.32	59,378,157.88	67,082,148.38
JUNE	120,723,019.38	93,149,493.01	125,182,187.99	136,004,690.67
JULY	17,701,029.90	41,636,718.23	20,578,000.15	17,691,564.60
AUGUST	62,638,507.79	64,366,892.62	67,479,944.55	71,195,540.23
SEPTEMBER	58,954,205.32	60,439,573.57	64,733,833.30	67,538,582.04
OCTOBER	68,480,592.97	91,883,146.38	82,906,271.29	85,364,693.59
NOVEMBER	53,609,813.42	60,570,026.50	63,078,434.81	66,929,063.03
DECEMBER	<u>121,927,780.53</u>	<u>123,922,169.42</u>	<u>133,207,734.19</u>	
TOTALS	\$780,740,504.94	\$823,002,634.62	\$832,782,173.72	

* On a cash basis.

Authority Bonds

Pursuant to the Act, the Authority has the power to issue its bonds and notes for the purpose of refinancing or restructuring a portion of the County's outstanding debt, and financing capital project costs, tax certiorari judgments and settlements incurred or to be incurred by the County, the County's cash flow needs, certain retirement incentive programs and amounts necessary to finance any County deficit to the extent authorized by State law. Bonds may only be issued by the Authority upon a request therefor by the County made by the County Executive and approved by the County Legislature. Any such issuance of Bonds shall be at the discretion of the Authority. The Authority may not issue bonds, other than Bonds to refund Authority Bonds previously issued, after December 31, 2007. In addition, no Bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issue.

Bonds of the Authority may be issued, amortized, redeemed and refunded without regard to the provisions of the State's Local Finance Law; except that the principal amount of outstanding bonds of the Authority shall be deemed indebtedness of the County for purposes of ascertaining the amount of indebtedness the County may contract pursuant to the State's Local Finance Law and State Constitution and the Authority shall not exceed such limitation.

The total anticipated Debt Service payable on Outstanding Bonds of the Authority, as well as Debt Service on the Series 2004I, J and K ARS Bonds, is set forth herein in the table entitled "Debt Service on Senior Bonds" under the heading "SECTION III: THE SERIES 2004I, J AND K ARS BONDS—Debt Service Requirements."

Debt Service Coverage on Outstanding Senior Bonds

The Authority cannot predict the amounts of additional Bonds, if any, that the Authority will issue as requested by the County and approved by the Authority. The following table shows coverage of maximum annual Debt Service on the Prior Outstanding Bonds, the Series 2004I, J and K ARS Bonds and the Series 2004H Bonds by historical Sales Tax Revenues. Maximum annual Debt Service on all Senior Bonds (namely, the Prior Outstanding Bonds, the Series 2004I, J and K ARS Bonds the Series

2004H Bonds) will be, upon the issuance of the Series 2004I, J and K ARS Bonds and the Series 2004H Bonds, \$159,251,000 occurring in 2013. See “SECTION III: THE SERIES 2004I, J AND K ARS BONDS—Debt Service Requirements.”

**DEBT SERVICE COVERAGE ON SENIOR BONDS
BY HISTORICAL SALES TAX REVENUES**

<u>Year</u>	<u>Sales Tax Revenues (\$ Thousands)(a)</u>	<u>Coverage of Maximum Annual Debt Service on Senior Bonds (c)</u>
1981	226,020	1.42
1982	233,956	1.47
1983	296,773	1.86
1984	363,847	2.28
1985	378,664	2.38
1986	386,857	2.43
1987	416,415	2.61
1988	431,933	2.71
1989	452,736	2.84
1990	450,971	2.83
1991	469,913	2.95
1992	520,129	3.27
1993	553,983	3.48
1994	575,562	3.61
1995	435,282(b)	2.73
1996	788,329(b)	4.95
1997	653,091	4.10
1998	673,431	4.23
1999	713,931	4.48
2000	755,967	4.75
2001	779,714	4.90
2002	811,147	5.11
2003	838,085	5.26

(a) Sales tax revenues are reported on a modified accrual basis and do not reflect cash receipts on a calendar year basis.

(b) Fiscal Year 1995 was a 9-month year, and Fiscal Year 1996 was a 15-month year.

(c) Based on (i) an assumed interest rate on the Series 2002A and 2002B Bonds (which were issued as variable rate bonds) of 5% per annum and (ii) Debt Service for the Series 2004B through G ARS Bonds and the Series 2004I, J and K ARS Bonds at the fixed payer rates on the associated interest rate swaps.

Additional Bonds

The Act does not limit the amount of notes and Bonds that the Authority may issue for the purposes of financing Financeable Costs, including the County’s cash flow needs. The Authority may from time to time issue Subordinate Notes or notes secured by the Revenues subordinate to the Authority’s Operating Expenses and on a parity with the Notes as described herein. The Act provides that the maximum amount of Bonds that the Authority may issue, exclusive of any Bonds issued to finance reserves, capitalized interest or costs of issuing such obligations, is as follows: (i) to refinance or restructure the County’s outstanding debt (\$415 million); (ii) to refinance only tax certiorari settlements or assignments of any kind to which the County is a party (\$790 million); and (iii) to finance tax certiorari judgments and settlements of the County (up to \$400 million if the proceeding commenced before June 1, 2000, and up to \$400 million, in aggregate, for proceedings commenced between June 1, 2000 and

December 31, 2007, however, of said \$400 million, only \$15 million may be issued in 2006 and \$10 million may be issued in 2007). Bonds issued to refund Bonds theretofore issued for purposes subject to the debt limits described above are not counted against such limits.

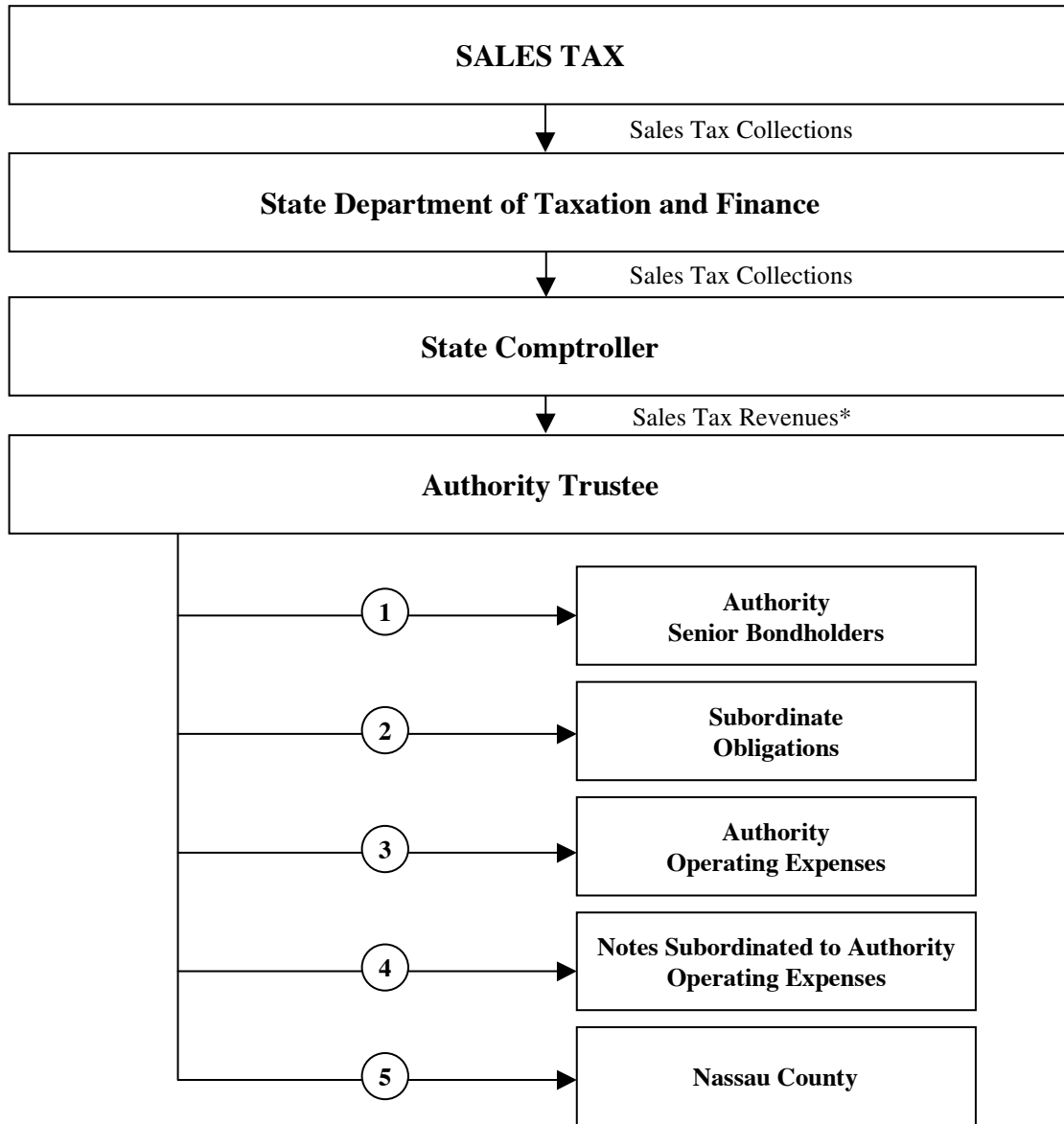
The Indenture provides that other Series of Bonds and notes may be issued only (i) as Senior Bonds or Senior Notes on a parity with other Series of Senior Bonds or Senior Notes or (ii) as subordinate to the Senior Bonds or Notes, but (iii) no Series of Bonds or Senior Notes on a parity with other Series of Senior Bonds or Senior Notes shall be authenticated and delivered unless the amount of Sales Tax Revenues received by the Authority for the twelve consecutive calendar months ended not more than three months prior to the calculation date is at least three times the amount of annual Debt Service (excluding any accrued or capitalized interest), including such Series of Bonds and Senior Notes for each Fiscal Year Bonds will be Outstanding. See “APPENDIX B — SUMMARY OF INDENTURE AND AGREEMENT.”

In addition, no Senior Bonds may be issued unless there is available in the Debt Service Liquidity Account an amount equal to any Debt Service Liquidity Account Requirement that may be in effect. Money, if any, on deposit in the Debt Service Liquidity Account is held in trust under the Indenture and applied to remedy any shortfall in the Bond Account in amounts due on Debt Service, except that money on deposit in such account in excess of the Debt Service Liquidity Account Requirement will be transferred to the Collection Account. The Debt Service Liquidity Requirement means an amount equal to one-twelfth of the maximum total Principal Installments and interest becoming due in the current or any future Fiscal Year on Senior Bonds or zero if the Authority’s projected maximum required monthly deposit of Sales Tax Revenues upon the issuance of such Senior Bonds is no greater than one-half of the lowest monthly Sales Tax Revenue collections in the last 24 calendar months. The Authority has purchased a Debt Service Liquidity Account Insurance Policy in an amount sufficient, together with other amounts on deposit in the Debt Service Liquidity Account, to equal the Debt Service Liquidity Account Requirement. Any increase in the Debt Service Liquidity Account Requirement with respect to the Series 2004H Bonds and the Series 2004I, J and K ARS Bonds may be funded through an increase in the Debt Service Liquidity Account Insurance Policy or a deposit to the Debt Service Liquidity Account. See “APPENDIX B — SUMMARY OF INDENTURE AND AGREEMENT.”

Application of Revenues

Upon receipt of Sales Tax Revenues required to be paid to the Authority in accordance with the Authority’s instructions to the State Comptroller, the Trustee must deposit such amounts into the Collection Account held by the Trustee. The Act and the Indenture establish a priority for the use by the Authority of Sales Tax Revenues as follows: *first*, to the Bond Account or Redemption Account to pay Debt Service and for the payment of Senior Agreement providers, if any, including scheduled payments on such swap contracts, in accordance with the procedures described below under “Retention Procedures” and the amount, if any, necessary to replenish the Debt Service Liquidity Account to the extent of any withdrawal therefrom; *second*, pursuant to Supplemental Indentures for the benefit of Noteholders, Subordinate Bondholders and parties to ancillary and swap contracts (other than Senior Agreements), including payments of any termination amounts or fees owing under any swap contracts, to the extent such Supplemental Indentures may require application of Revenues to pay items after payments of Debt Service but prior to operating expenses; *third*, to the Authority’s operating expenses, including deposits to the Redemption Account for optional redemption of the Senior Bonds, if any, and any reserves held by the Authority for payment of operating expenses; *fourth*, to the payment of debt service on certain notes of the Authority to the extent required by Supplemental Indentures relating to such notes; and *then*, to the County as frequently as practicable, excess Revenues, free and clear of the lien of the Indenture. The chart on the following page illustrates the collection of Sales Tax Revenues (as described under “Servicing-Sales Tax Collection” above) and the flow of funds under the Indenture, as described below.

SUMMARY OF COLLECTION AND APPLICATION OF SALES TAX REVENUES



*As defined.

- (1) Revenues will be retained by the Trustee for the payment of Debt Service on Outstanding Bonds and for the payment of Senior Agreement providers, if any, including scheduled payments on such swap contracts in accordance with the retention procedures detailed below, and for the payment of the amount, if any, necessary to replenish the Debt Service Liquidity Account to the extent of any withdrawal therefrom.
- (2) Revenues are next applied pursuant to Supplemental Indentures for the benefit of Subordinate Bondholders, Subordinate Noteholders, and parties to Subordinate Agreements, including payments of any termination amounts or fees owing under any swap contracts, to the extent such Supplemental Indentures may require application of Revenues to pay items after payment of Debt Service.
- (3) After Revenues are retained by the Trustee for the payment of Debt Service, payments to Subordinate Bondholders and Subordinate Noteholders, and Senior Agreement providers, if any, such Revenues are paid to the Authority for its operating expenses.
- (4) In accordance with the Supplemental Indentures relating to certain Bond Anticipation Notes, the payment of interest on and principal of such Bond Anticipation Notes shall be payable after Authority Operating Expenses.
- (5) After the payments described in (1), (2), (3) and (4) above are made, remaining Revenues are paid to the County, as frequently as practicable.

Retention Procedures

At the beginning of each calendar month, the Trustee shall begin to transfer all Revenues from the Collection Account to the Bond Account until the amount in the Bond Account is equal to Accrued Debt Service to the last day of such month. Such transfer shall be appropriately adjusted to reflect as of the date of issue of notes or Bonds, any accrued or capitalized interest deposited in the Bond Account or any other amounts irrevocably pledged to the payment of such Debt Service for such period, actual rates of interest, any amount needed or held in the Accounts for Debt Service, and any purchase or redemption of notes or Bonds, so that there will be available on each payment date the amount necessary to pay Debt Service and so that accrued or capitalized interest will be applied to the installments of interest to which it is applicable.

After all payments are made to the Bond Account and Redemption Account, moneys on deposit in the Collection Account will be used in the following order of priority: for the benefit of Subordinate Bondholders, Subordinate Noteholders or contract parties, to the extent required by Supplemental Indentures, for the payment of the Authority's operating expenses and, as soon as practicable, to the County, free and clear of the lien of the Indenture. The County has covenanted to provide the Authority with a schedule of forecasted collections of Sales Tax Revenues before the beginning of each fiscal year and each month during such fiscal year. In the event projected collections from Sales Tax Revenues are anticipated to be insufficient during any month to completely provide for the amount required to be retained in such month, the Trustee is required to withhold additional Sales Tax Revenues in subsequent months. "APPENDIX B — SUMMARY OF INDENTURE AND AGREEMENT — Application of Revenues."

Agreements of the State and the County

In the Act, the State pledges and agrees with the holders of the Bonds that the State will not limit, alter or impair the rights vested in the Authority by the Act to fulfill the terms of the Indenture, or in any way impair the rights and remedies of such holders of the Bonds or the security for the Bonds until such Bonds, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of the Bonds, are fully paid and discharged. The State is not obligated to make any additional payments or impose any taxes to satisfy the Debt Service obligations of the Authority. The State Constitution allows the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the Local Sales Tax. Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or the County.

In accordance with the Act, the County will pledge and agree with the holders of the Bonds that the County will not limit, alter or impair the rights vested by the Act in the Authority to fulfill the terms of any agreements made with such holders pursuant to the Act, or in any way impair the rights and remedies of such holders or the security for the Bonds until the Bonds are fully paid and discharged. Nothing contained in the Act or the Agreement restricts any right the County may have to amend, modify or otherwise alter local laws imposing or relating to the Local Sales Tax so long as, after giving effect to such amendment, modification or other alteration, the amount of Sales Tax Revenues projected by the Authority to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration is not less than 200% of maximum annual debt service on all Authority bonds, notes and other evidences of indebtedness then outstanding. For a description of the covenants of the County set forth in the Agreement, see "APPENDIX B — SUMMARY OF INDENTURE AND AGREEMENT."

THE BONDS ARE NOT A DEBT OF EITHER THE STATE OR THE COUNTY, AND NEITHER THE STATE NOR THE COUNTY IS LIABLE THEREON.

The covenants of the County and the State described above shall be of no force and effect with respect to any Bond if there is on deposit in trust with a bank or trust company sufficient cash or Defeasance Collateral to pay when due all principal of, applicable redemption premium, if any, and interest on such Bond.

Bond Insurer and the Financial Guaranty Insurance Policy

CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC. ("CIFG NA") 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 CIFG NA 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 CIFG NA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of CIFG NA 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 Series I, J and K ARS 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 Series I, J and K ARS Bonds. CIFG NA does not guarantee the market price of the Series I, J and K ARS Bonds nor does it guaranty that the ratings on the Series I, J and K ARS Bonds will not be revised or withdrawn.

CIFG NA 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. CIFG NA 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 CIFG NA 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. CIFG NA 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, CIFG NA'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, CIFG NA 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 CIFG NA's U.S. statutory capital and surplus at no less than \$80 million. In addition, through a facultative

reinsurance agreement, CIFG NA 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 Series I, J and K ARS Bonds will have direct recourse against CIFG NA only, and neither CIFG nor any other affiliate of CIFG NA will be directly liable to the holders of the Series I, J and K ARS Bonds.*

The following table sets forth the capitalization of CIFG NA as of September 30, 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)	<u>(37,406)</u>
Surplus as regards policyholders	<u>\$ 93,219</u>

There has been no material adverse change in the capitalization of CIFG NA from September 30, 2004 to the date of this Offering Circular.

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

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

SECTION III: THE SERIES 2004I, J AND K ARS BONDS

Description of the Series 2004I, J and K ARS Bonds

The Series 2004I, J and K ARS Bonds will be issued pursuant to the Indenture in three series. The Series 2004I, J and K ARS Bonds will be issued initially as bonds that bear interest at ARS Rates but may be converted at the option of the Authority, subject to certain restrictions, to bonds that bear interest at different rates including Daily Rates, Weekly Rates, Flexible Rates, Term Rates or Fixed Rates. Each series of the Series 2004I, J and K ARS Bonds will be dated the date of delivery, and will bear interest from their date of delivery for the applicable Initial Period set forth on the inside cover of this Offering Circular at the rates established by the Authority and thereafter at the applicable ARS Rate determined pursuant to the Auction Procedures (as hereinafter defined). Following the applicable Initial Period, each series of the Series 2004I, J and K ARS Bonds will initially bear interest for Auction Periods set forth on the inside cover of this Offering Circular but can be converted to a daily, seven-day, 28-day, 35-day, three-month, six-month or a Special Auction Period. The Special Auction Period is any period of 182 days or less which is divisible by seven and which is not another Auction Period or any period of more than 182 days which ends not later than the final maturity of such series of Series 2004I, J and K ARS Bonds. Upon conversion from an ARS Rate Period to a Daily Rate Period, a Weekly Rate Period, a Flexible Rate Period, a Term Rate Period or a Fixed Rate Period, the Series 2004I, J and K ARS Bonds

will be subject to mandatory tender, the principal portion of which will be payable solely from the proceeds of the remarketing of the Series 2004I, J and K ARS Bonds to be converted, on the conversion date at a price equal to 100% of the principal amount thereof plus accrued interest, if any, to such date. Interest on the Series 2004I, J and K ARS Bonds in a daily, seven-day, 28-day, 35-day, a three-month or a Special Auction Period of 180 days or less will be computed on the basis of a 360-day year for the actual number of days elapsed. Interest on the Series 2004I, J and K ARS Bonds in a six-month Auction Period or a Special Auction Period of more than 180 days will be computed on the basis of a 360-day year of twelve 30-day months. See “THE SERIES 2004I, J and K ARS BONDS – ARS BONDS” and “APPENDIX C– ARS PROVISIONS.”

The Series 2004I, J and K ARS Bonds will be issued as fully registered bonds without coupons and in denominations of \$25,000 or any integral multiple thereof. The Series 2004I, J and K ARS Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2004I, J and K ARS Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2004I, J and K ARS Bonds, the Series 2004I, J and K ARS Bonds will be exchangeable for other fully registered certificated Series 2004I, J and K ARS Bonds of the same series in any authorized denominations, maturity and interest rate. See “Book-Entry Only System” herein. The Trustee may impose a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2004I, J and K ARS Bond. The cost, if any, of preparing each new Series 2004I, J and K ARS Bond issued upon such exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the Series 2004I, J and K ARS Bonds will be payable by check mailed to the registered Bondholders thereof. However, interest on the Series 2004I, J and K ARS Bonds will be paid to any owner of \$1,000,000 or more in aggregate principal amount of the Series 2004I, J and K ARS Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Trustee not less than five days prior to the Record Date. As long as the Series 2004I, J and K ARS Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book-Entry Only System” herein.

ARS Bonds

“ARS Rate” means with respect to each series of the Series 2004I, J and K ARS Bonds, while such Series 2004I, J and K ARS Bonds bear interest at an ARS Rate, the rate of interest to be borne by such Series 2004I, J and K ARS Bonds during each Auction Period which (other than for the Initial Period) will equal the Auction Rate for each Auction Period; provided, however, that, if the Auction Agent fails to calculate or, for any reason, fails to provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period will be the same as the preceding Auction Period and the ARS Rate for the new Auction Period will be the same as the ARS Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period will be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the ARS Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended, and, in the event Auction Period is extended as set forth in clause (ii) an Auction will be held on the last Business Day of the Auction Period as so extend to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no ARS Rate shall be extended for more than 35

days. If at the end of 35 days the Auction Agent fails to calculate or provide the Auction Rate, the ARS Rate shall be the Maximum Interest Rate; provided, further, that in no event will the ARS Rate exceed the Maximum Interest Rate; and; provided, further, in the event of a failed conversion from an ARS Rate to a Daily Rate, a Weekly Rate, a Flexible Rate, a Term Rate or a Fixed Rate or the conversion from one Auction Period to another Auction Period, the affected Series 2004I, J and K ARS Bonds will continue as Series 2004I, J and K ARS Bonds with a seven-day Auction Period and bear interest at the Maximum Interest Rate for the next Auction Period.

“Maximum Interest Rate” means 15% or the maximum interest rate permitted by law.

“Interest Payment Date” means with respect to each series of the Series 2004I, J and K ARS Bonds, December 15, 2004 for the Series 2004I Bonds, December 15, 2004 for the Series 2004J Bonds and December 15, 2004 for the Series 2004K Bonds for the Initial Period, and thereafter: (a) when used with respect to any Auction Period other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period; (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period; (c) when used with respect to a Special Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Special Auction Period, or (ii) more than 182 days each May 15 and November 15 and on the Business Day immediately following such Special Interest Period.

“Auction Date” means with respect to each series of the Series 2004I, J and K ARS Bonds, (a) if such Series 2004I, J and K ARS Bonds are in a daily Auction Period, each Business Day, (b) if such Series 2004I, J and K ARS Bonds are in a Special Auction Period, the last Business Day of the Special Auction Period, and (c) if such Series 2004I, J and K ARS Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for the Series 2004I, J and K ARS Bonds (whether or not an Auction shall be conducted on such date); provided, however, that the last Auction Date with respect to such Series 2004I, J and K ARS Bonds in an Auction Period other than the daily Auction Period or Special Auction Period is the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for such Series 2004I, J and K ARS Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for such Series 2004I, J and K ARS Bonds; and provided, further, that if such Series 2004I, J and K ARS Bonds are in a daily Auction Period, the last Auction Date is the earlier of (x) the Business Day next preceding the conversion date for such Series 2004I, J and K ARS Bonds and (y) the Business Day next preceding the final maturity date for such Series Bonds. The last Business Day of a Special Auction Period is 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 will be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

“Auction Period” means with respect to each series of ARS Bonds:

- (a) a Special Auction Period;
- (b) with respect to a series of ARS Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day;
- (c) with respect to a series of ARS Bonds in a seven day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally seven days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the Sunday thereafter (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), (ii) Mondays, a period of

generally seven days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally seven days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally seven days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(d) with respect to a series of ARS Bonds in a 28-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 28 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the fourth Sunday thereafter (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), (ii) Mondays, a period of generally 28 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 28 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally 28 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(e) with respect to a series of ARS Bonds in a 35-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 35 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Sunday) and ending on the fifth Sunday thereafter (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), (ii) Mondays, a period of generally 35 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Monday) and ending on the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally 35 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 35 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Wednesday) and ending on the fifth Wednesday

thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally 35 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Thursday) and ending on the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(f) with respect to a series of ARS 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

(g) with respect to a series of ARS 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 May 14 or November 14;

provided, however, that

(a) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Fridays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding 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), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will 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;

(b) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Mondays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Monday (unless such Monday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Monday (unless such Monday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on Monday (unless such Monday 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;

(c) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Tuesdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Tuesday (unless such Tuesday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Tuesday (unless such Tuesday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on Tuesday (unless such Tuesday 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;

(d) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Wednesdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Wednesday (unless such Wednesday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Wednesday (unless such Wednesday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on Wednesday (unless such Wednesday 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; and

(e) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Thursdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Thursday (unless such Thursday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Thursday (unless such Thursday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on Thursday (unless such Thursday 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.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Interest Rate because Sufficient Clearing Bids do not exist, the Auction Period shall automatically change to a seven-day Auction Period.

Auction Agent

The Trustee will enter into an Auction Agreement initially with The Bank of New York, pursuant to which, The Bank of New York, as Agent for the Trustee, shall perform the duties of Auction Agent. The Auction Agreement will provide, among other things, that the Auction Agent will determine the Auction Rate for each Auction in accordance with the Auction Procedures.

Auction Date

An Auction to determine the interest rate with respect to each series of the Series 2004I, J and K ARS Bonds for the next succeeding Auction Period will be held on each Business Day while such Series 2004I, J and K ARS Bonds are in a daily Auction Period and if in any other Auction Period on the last Business Day of the Auction Period. The first Auction for the Series 2004I Bonds will take place on December 14, 2004, for the Series 2004J Bonds will take place on December 14, 2004 and for the Series 2004K Bonds will take place on December 14, 2004.

Order to Existing Owners and Potential Owners

The procedure for submitting orders prior to the Submission Deadline on each Auction Date is described in Appendix C, as are the particulars with regard to the determination of the Auction Rate and the allocation of the Series 2004I, J and K ARS Bonds bearing interest at ARS Rates (collectively, the "Auction Procedures").

Amendment of Auction Procedures

The provisions of the Indenture concerning the Auction Procedures including without limitation the definitions of All Hold Rate, Maximum Interest Rate, ARS Index, Interest Payment Date, ARS Rate, may be amended by obtaining the consent of the Bondholders of all Series 2004I, J and K ARS Bonds of a series affected by the amendment. All Bondholders will be deemed to have consented if on the first Auction Date occurring at least 20 days after the Auction Agent mailed notice to such Bondholders the ARS Rate determined for such date is the Winning Bid Rate.

Conversion of Series 2004I, J and K ARS Bonds to Another Rate Period

At the option of the Authority, any series of the Series 2004I, J and K ARS Bonds may be converted to bear interest at a Daily Rate, a Weekly Rate, a Flexible Rate, a Term Rate or a Fixed Rate. On the conversion date applicable to the Series 2004I, J and K ARS Bonds to be converted, the Series 2004I, J and K ARS Bonds to be converted are subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The principal portion of the purchase price of the Series 2004I, J and K ARS Bonds so tendered is payable solely from the proceeds of the remarketing of such Series 2004I, J and K ARS Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Series 2004I, J and K ARS Bonds on a mandatory tender date, the Series 2004I, J and K ARS Bonds will not be subject to mandatory tender, will be returned to their Bondholders, will automatically convert to a seven-day Auction Period and will bear interest at the Maximum Interest Rate. It is currently anticipated that, should any of the Series 2004I, J and K ARS Bonds be converted to bear interest at a Daily Rate, a Weekly Rate, a Flexible Rate, a Term Rate or a Fixed Rate, a remarketing memorandum or remarketing circular will be distributed describing the Series 2004I, J and K ARS Bonds to be converted during such Rate Period.

Conversion from One Auction Period to Another

On the conversion date for a series of the Series 2004I, J and K ARS Bonds selected for conversion from one Auction Period to another, any Series 2004I, J and K ARS Bonds of such series which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order. In the event of a failed conversion to another Auction Period due to the lack of Sufficient Clearing Bids, the Series 2004I, J and K ARS Bonds will automatically convert to a seven-day Auction Period and will bear interest at the Maximum Interest Rate. In connection with a conversion from one Auction Period to another, written notice of such conversion will be given in accordance with the Auction Procedures; however, the Series 2004I, J and K ARS Bonds to be converted will not be subject to mandatory tender on such conversion date.

Special Considerations Relating to the Series 2004I, J and K ARS Bonds Bearing Interest at ARS Rates

The Indenture and the Auction Agreement provide that the Auction Agent may terminate the Auction Agreement by giving at least ninety (90) days notice to the Authority and the Trustee (who will give notice of the same to each Broker-Dealer); provided, however, that a successor Auction Agent has been appointed. In the event the Auction Agent has not been compensated for its services rendered under the Auction Agreement, the Auction Agent may terminate the Auction Agreement by giving at least forty-five (45) days notice to the Authority, the Credit Provider and the Trustee (who will give notice of the same to each Broker-Dealer), and upon the expiration of such forty-five (45) days, the Auction Agent may resign even if a successor Auction Agent has not been appointed. Each Broker-Dealer Agreement provides that the Broker-Dealer thereunder may resign upon five business days notice or immediately, in certain circumstances, and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the Series 2004I, J and K ARS Bonds will be determined as set forth in the definition of “ARS Rate” above.

Each Broker-Dealer Agreement will provide that a Broker-Dealer may submit an Order in Auctions for its own account. If a Broker-Dealer submits an Order for its own account in any Auction, it might have an advantage over other Bidders in that it would have knowledge of orders placed through it in that Auction; such Broker-Dealer, however, would not have knowledge of Orders submitted by other Broker-Dealers (if any) in that Auction. In each Broker-Dealer Agreement, Broker-Dealers will agree to handle customer orders in accordance with their respective duties under applicable securities laws and rules.

Any Broker-Dealer submitting an Order for its own account in any Auction 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. A Broker-Dealer may also bid in an Auction in order to prevent what would otherwise be (a) a failed Auction or (b) the implementation of an Auction Rate that the Broker-Dealer believes, in its sole judgment, does not reflect the market for such securities at the time of the Auction. A Broker-Dealer may also encourage additional or revised investor bidding in order to prevent an “all-hold” Auction.

During an ARS Rate Period a beneficial owner of a Series 2004I, J and K ARS Bond may sell, transfer or dispose of a Series 2004I, J and K ARS Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures (see “APPENDIX C- ARS PROVISIONS”) or through a

Broker-Dealer. The ability to sell a Series 2004I, J and K ARS Bond in an Auction may be adversely affected if there are not sufficient buyers willing to purchase all the Series 2004I, J and K ARS Bonds at a rate equal to or less than the Maximum Interest Rate. Each Broker-Dealer has advised the Authority that it intends to make a market in the Series 2004I, J and K ARS Bonds between Auctions; however, the Broker-Dealer is not obligated to make such markets, and no assurance can be given that secondary markets therefor will develop.

Changes to the Auction Periods and Auction Dates do not require the amendment of the Auction Procedures or any consents.

The information in this paragraph has been furnished by the Underwriters for inclusion in this Offering Circular. According to published news reports, the Securities and Exchange Commission (the "Commission") has requested that certain participants in the auction rate securities markets, including both taxable and tax-exempt markets, conduct a review of their practices and procedures in those markets. Goldman, Sachs & Co., Morgan Stanley and UBS Financial Services Inc. have advised the Authority that they have received letters from the Commission requesting that they voluntarily conduct such a review. Goldman, Sachs & Co., Morgan Stanley and UBS Financial Services Inc. are cooperating fully with the Commission in this process. No assurances can be given as to whether the results of this process will affect the market for the Series 2004I, J and K ARS Bonds or the auctions therefor.

Redemption Provisions

Optional Redemption for the Series 2004I, J and K ARS Bonds

On or prior to the Fixed Rate Conversion Date, during an ARS Rate Period, the Series 2004I, J and K ARS Bonds may be redeemed in whole or in part on the Interest Payment Date immediately following an Auction Period, at the principal amount of the Series 2004I, J and K ARS Bonds to be redeemed without premium; provided, however, in the event of a partial redemption of the Series 2004I, J and K ARS Bonds bearing interest at an ARS Rate, the aggregate principal amount not so redeemed shall be an integral multiple of \$25,000 and the aggregate principal amount of the series of Series 2004I, J and K ARS Bonds to be redeemed which will remain outstanding is at least \$10,000,000 unless otherwise consented to by the Broker-Dealer.

Sinking Fund Installments and Mandatory Redemption

The Series 2004I, J and K ARS Bonds maturing on November 15, 2025 are also subject to mandatory sinking fund redemption in part (in accordance with procedures of DTC, so long as DTC is the Bondholder, and otherwise by lot in such manner as the Trustee in its discretion deems proper) on any November 15 on and after November 15, 2018, at the principal amount thereof plus accrued interest up to but not including the date of redemption thereof, from mandatory sinking fund installments which are made in amounts sufficient to redeem on November 15 of each year the principal amount of such Series 2004I, J and K ARS Bonds shown below:

Series 2004I Bonds Maturing November 15, 2025

<u>November 15</u>	<u>Amount</u>
2017	\$ 625,000
2018	5,200,000
2019	6,825,000
2020	4,275,000
2021	9,850,000
2022	6,525,000
2023	6,750,000
2024	7,000,000
2025	2,950,000

Series 2004J Bonds Maturing November 15, 2025

<u>November 15</u>	<u>Amount</u>
2017	\$ 625,000
2018	5,200,000
2019	6,825,000
2020	4,275,000
2021	9,850,000
2022	6,525,000
2023	6,750,000
2024	7,000,000
2025	2,950,000

Series 2004K Bonds Maturing November 15, 2025

<u>November 15</u>	<u>Amount</u>
2017	\$ 625,000
2018	5,200,000
2019	6,825,000
2020	4,275,000
2021	9,850,000
2022	6,525,000
2023	6,750,000
2024	7,000,000
2025	2,950,000

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

Notwithstanding the foregoing, while the Series 2004I, J and K ARS Bonds bear interest at an ARS Rate, in any Auction Period other than a daily Auction Period, if such November 15 is not an Interest Payment Date, the redemption shall occur on the Interest Payment Date immediately preceding such November 15. Series 2004I, J and K ARS Bonds in a Special Auction Period may be redeemed prior to the end of the Special Auction Period pursuant to the sinking fund redemption schedule.

Notice of Redemption

Upon receipt of notice from the Authority of its election to redeem Series 2004I, J and K ARS Bonds or when redemption of Series 2004I, J and K ARS Bonds is required pursuant to the Indenture, the Trustee is to give notice of such redemption by mail to the holders of Series 2004I, J and K ARS Bonds to be redeemed at least 30 days prior to the date set for redemption. Failure by a particular Bondholder to receive notice, or any defect in the notice to such Bondholder, will not affect the redemption of any other Series 2004I, J and K ARS Bond. If at the time of notice, the Authority shall not have deposited with the Trustee moneys sufficient to redeem all the Series 2004I, J and K ARS Bonds called for optional redemption, such notice shall state that such optional redemption is conditional, in that it is subject to the sufficient deposit of moneys with the Trustee not later than the date fixed for redemption. Such notice shall be of no effect and no optional redemption shall occur unless such moneys are so deposited.

If any Series 2004I, J and K ARS Bonds are to be redeemed and such Bonds are held by a Securities Depository, the Authority shall include in the notice of the call for redemption delivered to the Securities Depository (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date and (ii) an instruction to Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Securities Depository Participants whose Securities Depository positions shall be redeemed and the principal amount of such Auction Rate Bonds to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Auction Agent immediately after such determination of the (1) positions of the Securities Depository Participants in such Bonds immediately prior to such Auction settlement, (2) the position of the Securities Depository Participants in such Auction Rate Bonds immediately following such Auction settlement, and (3) the Securities Depository Redemption Information.

Debt Service Requirements

The following schedule sets forth, for each 12-month period ending December 31 of the years shown, on a cash basis, the anticipated amounts required to be paid by the Authority for the payment of principal and sinking fund installments of, and interest on, the Series 2004I, J and K ARS Bonds payable on their respective payment dates of each such period, and assumes the issuance of the Series 2004H Bonds as described in note 3 below, and the total payments to be made with respect to debt service on Outstanding Senior Bonds.

12-Month Period Ending December 31	Prior Outstanding Bonds Debt Service⁽¹⁾⁽²⁾	Series 2004H Bonds Debt Service	Series 2004 I, J & K ARS Debt Service⁽³⁾	Total Senior Bond Debt Service⁽⁴⁾
2005	\$106,698,467.50	\$11,836,498.33	\$ 4,804,800.00	\$123,339,765.83
2006	100,117,142.50	13,745,537.50	5,148,000.00	119,010,680.00
2007	127,435,392.50	12,136,610.00	5,148,000.00	144,720,002.50
2008	119,658,992.50	22,927,110.00	5,148,000.00	147,734,102.50
2009	130,059,882.50	14,763,990.00	5,148,000.00	149,971,872.50
2010	126,904,851.26	13,305,490.00	5,148,000.00	145,358,341.26
2011	122,920,313.76	15,345,490.00	5,148,000.00	143,413,803.76
2012	119,369,226.26	24,995,220.00	5,148,000.00	149,512,446.26
2013	111,911,742.50	42,191,257.50	5,148,000.00	159,251,000.00
2014	119,328,720.26	24,739,387.50	5,148,000.00	149,216,107.76
2015	91,986,913.00	40,257,737.50	5,148,000.00	137,392,650.50
2016	122,111,820.26	6,871,192.50	5,148,000.00	134,131,012.76
2017	112,241,089.76	28,356,425.00	7,023,000.00	147,620,514.76
2018	110,904,601.76		20,683,650.00	131,588,251.76
2019	111,184,521.76		25,023,258.00	136,207,779.76
2020	107,605,237.76		16,670,556.00	124,275,793.76
2021	64,635,587.76		32,955,402.00	97,590,989.76
2022	49,976,891.50		21,966,246.00	71,943,137.50
2023	31,784,997.50		21,969,432.00	53,754,429.50
2024	9,902,016.00		22,024,452.00	31,926,468.00
2025			9,153,732.00	9,153,732.00
Totals	\$1,996,738,408.60	\$271,471,945.83	\$238,902,528.00	\$2,507,112,882.43

(1) Includes Debt Service on Outstanding Series 2000A, 2001A, 2002A, 2002B, 2003A, 2003B, 2004A and 2004B through G ARS Bonds and assumes an interest rate of five (5%) percent on Series 2002A and 2002B Bonds issued as variable interest rate Bonds.

(2) Debt Service on the Series 2004B through G ARS Bonds is based on the actual fixed payer rates on the associated interest rate swaps.

(3) Debt Service on the Series 2004I, J and K ARS Bonds is based on the fixed payer rates on the associated interest rate swaps.

(4) Includes the assumptions set forth in footnotes 1, 2 and 3.

Plan of Finance and Use of Proceeds

The proceeds from the sale of the Series 2004I, J and K ARS Bonds and the Series 2004H Bonds will be deposited in the Bond Proceeds Fund established under the Financing Agreement (or in escrow accounts in the case of refundings) and will be used to provide for the refunding or payment of debt service on certain of the County's outstanding bonds identified in Appendix G (the proceeds of which have been used primarily to fund a portion of the County's capital program, tax certiorari judgments and settlements and other judgments), to finance tax certiorari judgments and settlements, to finance other legal judgments and settlements and to pay costs of issuance, as set forth in the table below. Bond proceeds are not pledged or available to pay any indebtedness of the Authority (other than any refunded Bonds). CDC IXIS Financial Guaranty North America Inc. will be issuing a surety bond to be deposited and held in the Debt Service Liquidity Account.

Swap Contracts

In connection with the issuance of the Series 2004I, J and K ARS Bonds, the Authority expects to enter into certain interest rate exchange agreements (the "swap contracts") for the purpose of converting the Authority's variable rate exposure relating to the Series 2004I, J and K ARS Bonds to a fixed rate.

The swap contracts are expected to have an aggregate notional amount equal to the aggregate par amount of the Series 2004I, J and K ARS Bonds. The aggregate notional amount of the swap contracts is expected to reduce on the dates and in the respective aggregate amounts specified for the mandatory sinking fund redemption of the Series 2004I, J and K ARS Bonds of all series, but under certain circumstances may terminate prior to the maturity of the Series 2004I, J and K ARS Bonds. Under the terms of the swap contracts, the Authority will pay a fixed rate to the counterparties and receive a variable rate. The counterparties are expected to be the Underwriters of the Series 2004I, J and K ARS Bonds or affiliated entities. The swap contracts will be “swap contracts” under the Indenture and, the Authority’s regularly scheduled payment obligations under the swap contracts will constitute Senior Agreements under the Indenture, payable on a parity with Debt Service on the Senior Bonds, and any termination payments or related payments or fees will constitute Subordinate Agreements under the Indenture, payable after Debt Service on Senior Bonds and payments under Senior Agreements, but ahead of operating expenses. The Authority has entered into similar swap contracts with respect to the Series 2004B through G ARS Bonds.

Sources and Uses of Funds

Set forth below are the estimated sources and uses of the proceeds of the Series 2004I, J and K ARS Bonds and the Series 2004H Bonds:

SOURCES OF FUNDS

Par amount of the Series 2004I, J and K ARS Bonds and the Series 2004H Bonds	\$337,275,000.00
Plus Net Original Issuance Premium	<u>18,219,668.65</u>
Total Sources of Funds	\$355,494,668.65

USES OF FUNDS

Deposit to Bond Proceeds Fund for the following Purposes:	
Funding escrow accounts to pay County debt service.....	\$174,450,010.00
Tax certiorari judgments and settlements.....	160,000,000.00
Other legal judgments and settlements.....	17,500,000.00
County Costs of Issuance	260,000.00
Underwriters’ Discount	1,755,543.48
Authority Costs of Issuance, Insurance Premium and Surety Premium	<u>1,529,115.17</u>
Total Uses of Funds	\$355,494,668.65

Book-Entry Only System

Beneficial ownership interests in the Bonds will be available in book-entry-only form, in the principal amount of \$25,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Series 2004I, J and K ARS Bonds will not receive certificates representing their interests in the Series 2004I, J and K ARS Bonds purchased.

DTC will act as securities depository for the Series 2004I, J and K ARS Bonds. The Series 2004I, J and K ARS Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each principal amount of Series 2004I, J and K ARS Bonds bearing interest at a specified interest rate, each in the aggregate

principal amount of such quantity of Series 2004I, J and K ARS Bonds, and will be deposited with DTC. If, however, the aggregate principal amount of any such quantity of Series 2004I, J and K ARS Bonds exceeds \$500 million, one bond certificate will be issued with respect to each \$500 million of principal amount of such quantity of Series 2004I, J and K ARS Bonds and an additional bond certificate will be issued with respect to any remaining principal amount of such quantity of Series 2004I, J and K ARS Bonds.

DTC, the world's largest depository, 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 and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. 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, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange LLC, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2004I, J and K ARS Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004I, J and K ARS Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2004I, J and K ARS Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 interest in the Series 2004I, J and K ARS 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 bond certificates representing their ownership interests in the Series 2004I, J and K ARS Bonds, except in the event that use of the book-entry system for the Series 2004I, J and K ARS Bonds is discontinued.

To facilitate subsequent transfers, all Series 2004I, J and K ARS Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2004I, J and K ARS Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2004I, J and K ARS Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004I, J and K ARS Bonds are credited, which may or

may not be the Beneficial Owners. The Direct and Indirect 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. (nor any other DTC nominee) will consent or vote with respect to the Series 2004I, J and K ARS Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2004I, J and K ARS Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2004I, J and K ARS 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 detailed information from the Authority or the Trustee, on a payable 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, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2004I, J and K ARS Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2004I, J and K ARS Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2004I, J and K ARS Bond certificates will be printed and delivered.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information furnished by DTC. Neither the Authority nor the original purchasers 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.

Other Information

For additional information regarding the Series 2004I, J and K ARS Bonds and the Indenture including the events of default under the Indenture and the remedies of the Bondholders thereunder, which include acceleration of the Series 2004I, J and K ARS Bonds under certain circumstances, see "APPENDIX B — SUMMARY OF INDENTURE AND AGREEMENT."

SECTION IV: THE AUTHORITY

Purpose and Operations

The Authority is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation created in June, 2000 by the Act and empowered to issue its bonds and notes for various County purposes, including the restructuring of a portion of the County's outstanding debt. The Authority shall continue in existence until its oversight, control or other responsibilities and its liabilities, which include the payment of Authority bonds and notes, including the Series 2004I, J and K ARS Bonds, have been met or discharged. In addition, the Authority has certain powers under the Act to monitor and oversee the County's finances, including Covered Organizations, and upon the declaration of a "control period," additional oversight authority, all as more fully described below under "Authority Monitoring and Control Functions."

The Authority is not authorized by State law to file a petition in bankruptcy. In addition, under the Act, the County and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of the Authority and the State Comptroller, and no such petition may be filed while Authority bonds or notes remain Outstanding.

Directors and Management

The Authority is governed by a board of seven directors, each appointed by the Governor, one each upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly and the State Comptroller. Four directors constitute a quorum for meetings of the directors of the Authority. The Governor also designates the chairperson and vice-chairperson from among the directors. There are currently two vacancies on the board of the Authority. As of the date of this Offering Circular, the following individuals have been appointed directors:

Directors

Ronald A. Stack, Director and Chairperson. Mr. Stack is a Managing Director and Head of the Public Finance Department of Lehman Brothers.

Richard M. Kessel, Director. Mr. Kessel is the Chairman and Chief Executive Officer of the Long Island Power Authority.

Martin D. Payson, Director. (Nominated by the State Comptroller.) Mr. Payson is a Director of Panavision Inc.; Delta Financial Corp.; and Carl Marks & Co., Inc.

Robert G. Smith, Ph.D., Director. Dr. Smith is the Founder of Smith Affiliated Capital Corp. He is a member of the New York State Financial Control Board, director and chairman of the Audit Committee of the Guardian Insurance Family of Mutual Funds, Director of the New York State Charitable Asset Foundation, and a member of the New York State Comptroller's Investment Advisory Board for the State Common Fund.

Robert Wallach, Director. (Nominated by the Senate Majority Leader.) Mr. Wallach is Chairman and Chief Executive Officer of The Robert Plan Corporation.

Officers

The following is a brief description of certain officers and staff members of the Authority:

Richard Luke, Executive Director and Treasurer

Mr. Luke serves as Executive Director and Treasurer. Mr. Luke is a CPA with 30 years' financial management experience dealing with local governments, including 15 years working for the Office of the State Comptroller.

Jeremy Wise, General Counsel

Mr. Wise serves as General Counsel. Mr. Wise has been admitted to the practice of law in New York State since 1978. The majority of his legal career has been spent working in the area of public finance.

Financing Agreement

In accordance with the provisions of the Act described above, the Authority and the County have entered into the Financing Agreement, dated as of October 1, 2000, providing for, among other things, the issuance of bonds and notes by the Authority to finance various County purposes authorized under the Act. See "APPENDIX B: SUMMARY OF INDENTURE AND AGREEMENT."

Authority Monitoring and Control Functions

During an "Interim Finance Period", as defined in the Act, the Authority is empowered, among other things, to review financial plans submitted to it; to make recommendations or, if necessary, adverse findings thereon; to monitor compliance; to make transitional State aid available as it determines; to comment on proposed borrowings by the County and Covered Organizations; and to impose a control period upon making one of the statutory findings. Even in the absence of a control period, certain of these powers may continue beyond the Interim Finance Period.

A control period will occur upon the Authority's determination that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (1) the County shall have failed to pay the principal of or interest on any of its bonds or notes when due or payable; (2) the County shall have incurred a major operating funds deficit of 1% or more in the aggregate in the results of operations during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles; (3) the County shall have otherwise violated any provision of the Act and such violation substantially impairs the marketability of the County's bonds or notes; (4) the County Treasurer's certification at any time, at the request of the Authority or on the County Treasurer's initiative, that on the basis of facts existing at such time, the County Treasurer cannot make the certification that securities sold by or for the benefit of the County in the general public market during the fiscal year immediately preceding such date and the then current fiscal year are satisfying the financing requirements of the County during such period and that there is a substantial likelihood of a similar result from such date through the end of the next succeeding fiscal year; or (5) if, in regard to the County's financial plan covering the County and the Covered Organizations, the County fails to make the required modifications after reductions in revenue estimates, or to provide a modified plan in detail and within such time period required by the Authority.

During a control period the Authority shall withhold transitional State aid and is empowered, among other things, to approve or disapprove proposed contracts and borrowings by the County and

Covered Organizations; approve, disapprove or modify the County's financial plan; issue binding orders to the appropriate local officials; impose a wage freeze; and terminate the control period upon finding that no condition exists which would permit imposition of a control period.

At its meeting on November 8, 2004 the Authority approved the County's four-year Financial Plan, as defined in the Act, but required that the County submit an acceptable update to the Financial Plan no later than June 1, 2005.

SECTION V: NO LITIGATION

There is not now pending any litigation (i) restraining or enjoining the issuance or delivery of the Series 2004I, J and K ARS Bonds or questioning or affecting the validity of the Series 2004I, J and K ARS Bonds or the proceedings and authority under which they are issued or will be issued, respectively; (ii) contesting the creation, organization or existence of the Authority, or the title of the directors or officers of the Authority to their respective offices; (iii) questioning the right of the Authority to perform its obligations under the Indenture or the Agreement and to pledge the Revenues and funds and other moneys and securities purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture; or (iv) questioning or affecting the levy or collection of the Local Sales Tax in any material respect, or the application of the Local Sales Tax for the purposes contemplated by the Act, or the procedure thereunder.

SECTION VI: TAX MATTERS

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2004I, J and K ARS Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2004I, J and K ARS Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and the County in connection with the Series 2004I, J and K ARS Bonds, and Bond Counsel has assumed compliance by the Authority and the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2004I, J and K ARS Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, by virtue of the Act, interest on the Series 2004I, J and K ARS Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Series 2004I, J and K ARS Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2004I, J and K ARS Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2004I, J and K ARS Bonds in order that interest on the Series 2004I, J and K ARS Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2004I, J and K ARS Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2004I, J and K ARS Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the County have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2004I, J and K ARS Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2004I, J and K ARS Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2004I, J and K ARS Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2004I, J and K ARS Bonds.

Prospective owners of the Series 2004I, J and K ARS Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2004I, J and K ARS Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Legislation

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Series 2004I, J and K ARS Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2004I, J and K ARS Bonds.

SECTION VII: RATINGS

The Series 2004I, J and K ARS Bonds are expected to be rated “AAA” by Fitch Ratings (“Fitch”), “AAA” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“Standard & Poor’s”), and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”) (each a “Rating Agency” and, collectively, the “Rating Agencies”), based on the expectation that the Bond Insurer will deliver their municipal bond insurance policies at the time of issuance of the Series 2004I, J and K ARS Bonds. The unenhanced ratings of the Series 2004I, J and K ARS Bonds are “AA+” by Fitch, “AA” by Standard & Poor’s, and “Aa2” by Moody’s. Such ratings will reflect only the respective views of such organizations. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the Rating

Agency originally establishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or any of them, may have an effect on the market price of the Series 2004I, J and K ARS Bonds.

SECTION VIII: VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein & Co., Certified Public Accountants, will deliver to the Authority and the Underwriters on or before the date of delivery of the Series 2004I, J and K ARS Bonds its verification report indicating that it has verified, in accordance with the standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of certain computations showing the Underwriters' assertions of the adequacy of the cash and the maturing principal of and interest on certain government obligations held in the escrow funds to provide for the payment of the principal of an interest and redemption premiums, if any, on the bonds refunded or restructured identified herein.

The verification performed by Samuel Klein & Co. will be solely based upon data, information and documents provided to Samuel Klein & Co. by the Underwriters. The report of its verification will state that Samuel Klein & Co. has no obligations to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

SECTION IX: UNDERWRITING

The Series 2004I Bonds are being purchased for reoffering by Goldman, Sachs & Co. ("Goldman") who is acting as Underwriter for that series of the Series 2004I, J and K ARS Bonds. The Series 2004J Bonds are being purchased for reoffering by UBS Financial Services Inc. ("UBS") who is acting as Underwriter for that series of Series 2004I, J and K ARS Bonds. The Series 2004K Bonds are being purchased for reoffering by Morgan Stanley ("Morgan Stanley") who is acting as Underwriter for that series of Series 2004I, J and K ARS Bonds. The Underwriters have agreed, subject to certain conditions, to purchase their respective series of the Series 2004I, J and K ARS Bonds from the Authority at the respective aggregate underwriters' discounts of \$326,334.07 (Goldman), \$134,638.89 (UBS) and \$134,638.89 (Morgan Stanley) and to reoffer such Series 2004I, J and K ARS Bonds at par. The Underwriters will be obligated to purchase all such Series 2004I, J and K ARS Bonds if any such Series 2004I, J and K ARS Bonds are purchased.

SECTION X: APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance and delivery of the Series 2004I, J and K ARS Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Certain legal matters are subject to the approval of the Authority's General Counsel and of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., counsel to the Underwriters.

SECTION XI: FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the year ended December 31, 2003, included in this Offering Circular, as Appendix D, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report dated April 30, 2004 appearing herein in Appendix D.

SECTION XII: CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority and the Trustee will enter into a written undertaking (the "Continuing Disclosure Agreement") for the benefit of the holders of the Series 2004I, J and K ARS

Bonds to provide continuing disclosure. The Authority will undertake for the benefit of the holders of the Series 2004I, J and K ARS Bonds to provide each Nationally Recognized Municipal Securities Information Repository (a "Repository"), and if and when one is established, the New York State information depository (the "State Depository"), on an annual basis on or before 185 days after the end of each fiscal year, commencing with the fiscal year ending December 31, 2004, financial information and operating data concerning the Authority of the type included in this Offering Circular referred to herein as "Authority Annual Information" and described in more detail below. The Authority will undertake to provide no later than 185 days after the end of each of its fiscal years, commencing with the fiscal year ending December 31, 2004, the Authority's annual financial statements for such year, prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards, to each Repository and to any State Depository, provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be provided to each Repository and to the State Depository if and when available. In addition, the Authority will undertake, for the benefit of the holders of the Series 2004I, J and K ARS Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board ("MSRB"), and any State Depository, in a timely manner, the notices described below.

The Authority Annual Information shall consist of financial information and operating data of the type included in this Offering Circular under the headings: "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS", including information under subheadings "Sales Tax Revenues" and "Servicing Sales Tax Collection" relating to the material taxes constituting a source of revenue for the Series 2004I, J and K ARS Bonds, a historical summary of such revenue, if available, together with an explanation of the factors affecting collection levels, for a period of at least the five most recent completed fiscal years then available. The Authority Annual Information may contain such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the Authority.

The notices described above include notices of any of the following events with respect to the Series 2004I, J and K ARS Bonds, 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 Series 2004I, J and K ARS Bonds; (7) modifications to the rights of Bondholders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2004I, J and K ARS Bonds; and (11) rating changes.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the Authority, and no person, including the holder of the Series 2004I, J and K ARS Bonds, may recover monetary damages thereunder under any circumstances. Any Bondholder, including any beneficial owner, may enforce the Continuing Disclosure Agreement. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Indenture. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for

information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Continuing Disclosure Agreement do not anticipate that it often will be necessary to amend the informational undertakings. The Continuing Disclosure Agreement, however, may be amended or modified under certain circumstances set forth therein.

The Authority may satisfy its obligations to file any notice, document or information with a NRMSIR or SID by filing the same with any dissemination agent, including any “central post office” or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC if and to the extent the agent has received a “no action” letter, which has not been revoked, from the SEC to the effect that enforcement action would not be recommended on account of using the agent, and not such NRMSIR or SID, as the source of information in determining compliance with the Rule.

SECTION XIII: LEGAL INVESTMENT

Pursuant to the Act the Bonds of the Authority are securities in which all public officers and bodies of the State and all public corporations, municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, conservators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. Pursuant to the Act the Series 2004I, J and K ARS Bonds may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

SECTION XIV: TRUSTEE

The Bank of New York is acting as Trustee in connection with the Series 2004I, J and K ARS Bonds.

SECTION XV: MISCELLANEOUS

The references herein to the Act, the Indenture and the Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act, the Indenture, and the Agreement for full and complete statements of such provisions. Copies of the Act, the Indenture, and the Agreement are available at the offices of the Trustee.

The agreements of the Authority with holders of the Series 2004I, J and K ARS Bonds are fully set forth in the Indenture. Neither any advertisement of the Series 2004I, J and K ARS Bonds nor this Offering Circular is to be construed as a contract with purchasers of the Series 2004I, J and K ARS Bonds.

Any statements in this Offering Circular involving matters of opinion, projections or estimates, whether or not expressly stated, are intended merely as expressions of opinion, projections or estimates and not as representation of fact.

The delivery of this Offering Circular has been duly authorized by the Authority.

NASSAU COUNTY INTERIM FINANCE
AUTHORITY

By: /s/ RICHARD LUKE
RICHARD LUKE, EXECUTIVE DIRECTOR AND
TREASURER

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

ECONOMIC AND DEMOGRAPHIC PROFILE

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

ECONOMIC AND DEMOGRAPHIC PROFILE

This section has been provided by the County and presents information regarding certain major economic and demographic factors in the County which may affect Sales Tax Revenues of the Authority. All information is presented on a calendar year basis unless otherwise indicated. The data set forth are the latest available. Sources of information are indicated in the text or immediately following the tables. Although the Authority considers the sources to be reliable, the Authority has made no independent verification of the information presented herein and does not warrant its accuracy.

Public Financial Management, Inc. (“PFM”) has acted as financial advisor to the County in connection with this offering; however, PFM has not independently verified the factual information contained in this offering circular.

Overview

Established in 1899, Nassau County (the “County”) is the site of some of New York State’s (the “State”) earliest colonial settlements, dating back to the 1640’s. With a total land area of 287 square miles and a population of over 1.3 million people, the County is bordered to the west by the New York City borough of Queens, to the east by Suffolk County, to the north by Long Island Sound and to the south by the Atlantic Ocean. Together, the northern and southern boundaries of the County comprise nearly 188 miles of scenic coastline. The County includes 3 towns, 2 cities, 64 incorporated villages, 56 school districts and various special districts that provide fire protection, water supply and other services. Land uses within the County are predominantly single-family residential, commercial and industrial.

Population

The County’s population has experienced two major growth periods over the past 100 years and reached a peak of approximately 1,428,080 residents in 1970. By 1990, the County’s population had decreased by 10% to 1,287,348 residents. In 2000, the County population had increased by 3.6% to approximately 1,334,544 residents. Based upon U.S. Census Bureau data, residents over 75 years of age are the fastest growing segment of the population, increasing by 125% from 42,100 in 1970 to 94,880 in 2000. Table 1 below shows the County’s population from 1960 to 2000. Based upon information from the Long Island Power Authority Population Survey, the County’s population continued to increase slightly through 2003 to an estimated 1,342,680.

TABLE 1

COUNTY POPULATION, 1960-2000

<u>Year</u>	<u>Population</u>
2000	1,334,544
1990	1,287,348
1980	1,321,582
1970	1,428,080
1960	1,300,171

SOURCE: U.S. Census

Economic Indicators

As shown on Table 2 below, according to the U.S. Census Bureau, the County’s household median income for 2000 of \$72,030 is significantly higher than those of the State (\$43,393) and the United States as whole (\$41,994). Moreover, the County (5.2%) has a smaller percentage of households below poverty level than the State (13.9%) and the nation (11.8%).

TABLE 2
COUNTY ECONOMIC INDICATORS
IN COMPARISON TO THE STATE AND THE U.S.

<u>Area</u>	<u>Median Household Income</u>	<u>Families Below Poverty (%)</u>
County	\$72,030	5.2
State	43,393	13.9
United States	41,994	11.8

SOURCE: U.S. Census, 2000 Census

Income and Purchasing Power

Effective Buying Income

Based on a recent survey by Sales & Marketing Management, the County had the highest median household effective buying income (“EBI”) of any county in the State and ranks second only to Putnam County for households with an EBI above \$50,000. Table 3 below compares median household EBI income and percentage of households by EBI group data in the County with Suffolk County, New York City and the State. Almost 60% of County households have an EBI of \$50,000 or more, while almost 14% have an EBI of less than \$35,000. EBI is defined as income less personal tax and non-tax payments and is often referred to as “disposable” or “after-tax” income.

TABLE 3
COMPARISON OF MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME IN THE STATE

<u>Area</u>	<u>Total EBI</u>	<u>Median Household EBI Income</u>	<u>% of Households by EBI Group</u>		
			<u>\$20K-34.9K</u>	<u>\$35-49.9K</u>	<u>\$50K+</u>
Nassau County	\$ 35,157,415	\$58,118	13.5	15.7	58.9
Suffolk County	31,969,424	53,495	15.4	17.9	54.2
New York City	147,815,938	33,439	21.2	16.6	31.7
New York State	367,761,619	37,709	21.3	17.9	35.9

SOURCE: Sales & Marketing Management, 2004 Survey of Buying Power and Media Markets

Consumer Price Index

The Consumer Price Index (“CPI”) represents changes in prices of all goods and services purchased for consumption by households over time and is often used to gauge levels of inflation. CPI includes user fees such as water and sewer service and sales and excise taxes paid by the consumer, but does not include income taxes and investment items such as stocks, bonds, and life insurance. Annual totals and increases in the CPI for both the New York-Northern New Jersey-Long Island, NY-NJ-CT-PA Consolidated Metropolitan Statistical Area (“CMSA”) and U.S. cities between the years 1994 and 2003 are shown in Table 4 below.⁽¹⁾

As indicated in Table 4 below, prices in the CMSA rose by 3.1% over the past year, equaling the largest yearly percentage increase in the last ten years and the third consecutive year in which the CPI for the region increased. By comparison, prices rose by 2.3% in U.S. cities in 2003, which represented the first increase in CPI in three years.

TABLE 4
CONSUMER PRICE INDEX, 1994-2003

<u>Year</u>	<u>U.S. City Average (1,000s)</u>	<u>Percentage Change</u>	<u>NY-NJ-CT-PA CMSA (1,000s)</u>	<u>Percentage Change</u>
2003	184	2.3%	197.8	3.1%
2002	179.9	1.6%	191.9	2.6%
2001	177.1	2.8%	187.1	2.5%
2000	172.2	3.4%	182.5	3.1%
1999	166.6	2.2%	177	2.0%
1998	163	1.6%	173.6	1.6%
1997	160.5	2.3%	170.8	2.3%
1996	156.9	3.0%	166.9	2.9%
1995	152.4	2.8%	162.2	2.5%
1994	148.2	-	158.2	-

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

Retail Sales and Business Activity

The County is served by six major regional shopping centers: Broadway Mall in Hicksville, Roosevelt Field in Garden City, Green Acres Mall in Valley Stream, Bay Harbor Mall in Lawrence, Sunrise Mall in Massapequa and the Simon Mall at the Source in Westbury. According to the International Council of Shopping Centers, a global trade association of the shopping center industry, these regional malls feature a total of 6,889,934 square feet of gross leaseable area. The median income of consumers within a 10-mile radius of these regional centers is \$95,174.

⁽¹⁾ Throughout this document references are made to the U.S. Office of Management and Budget’s definitions of metropolitan areas that are applied to U.S. Census Bureau data. These areas include Metropolitan Statistical Areas (“MSAs”), Consolidated Metropolitan Statistical Areas (“CMSAs”) and Primary Metropolitan Statistical Areas (“PMSAs”). An MSA is a county or group of contiguous counties that contains at least one city with a population of 50,000 or more people, or a Census Bureau-defined urbanized area of at least 50,000 with a metropolitan population of at least 100,000. An MSA with a population of one million or more and which meets various internal economic and social requirements is termed a CMSA, consisting of two or more major components, each of which is recognized as a PMSA. For example, the Nassau-Suffolk PMSA is part of the New York-Northern New-Jersey – Long Island, NY-NJ-CT-PA CMSA.

The County boasts a wide range of nationally recognized retailers that provide goods and services, including home furnishing stores, supermarkets and gourmet food markets, electronics and bookstores. Major retailers in the County include Saks Fifth Avenue, Bloomingdales, Lord & Taylor, Nordstrom's, Macy's, Fortunoff's, Sears, JC Penney, Marshalls, Old Navy, Kohl's and Target. Commercial outlet stores in the County include, but are not limited to Costco, Bed, Bath & Beyond and Best Buy. In addition, there are in the County designer boutique shops and specialty department stores such as Barneys, Brooks Brothers, Giorgio Armani, Ralph Lauren and Prada, and jewelers such as Tiffany & Co., Cartier and Van Cleef & Arpels.

Many of the County's downtowns enjoy vibrant economic activity. Downtowns such as Franklin Avenue in Garden City and Fulton Avenue in the Village of Hempstead provide goods and services from local merchants and regional stores to area residents.

Table 5 below indicates that, based on the 1997 Economic Census (the most recent), the County ranked second in the State to New York City in retail sales activity. 2002 retail trade census data is not currently available.⁽²⁾ Based on a recent Sales and Marketing Management survey, the County ranked third in the State, with retail sales of approximately \$23.46 billion.

TABLE 5
RETAIL SALES ACTIVITY RANKED BY COUNTY IN THE STATE
(in thousands)

	1997 Rank	1997 Retail Sales	1992 Rank	1992 Retail Sales
New York (Manhattan)	1	\$19,964,095	1	\$17,442,237
Nassau	2	16,876,869	2	13,752,351
Suffolk	3	13,879,345	3	10,795,088
Westchester	4	9,438,521	4	7,441,033
Queens	5	9,237,429	5	7,331,563
Erie	6	8,224,419	6	7,244,316
Kings	7	8,407,009	7	6,922,469
Monroe	8	6,681,881	8	5,607,577
Onondaga	9	4,485,858	9	3,814,020
Albany	10	3,634,657	10	3,045,916

SOURCE: U.S. Census, Retail Trade

For a discussion of the local sales tax rate and sales tax revenues in the County, see the front section of this Offering Circular.

Employment

The State Department of Labor indicates that the County has a workforce of approximately 718,500 employees. The current unemployment rate in the County of 3.9% shows a slight decline from the 4.1% recorded in 2002. Table 6 below compares the employment and unemployment rates for the

⁽²⁾ The U.S. Economic Census presents a detailed portrait of the economy once every five years, from the national to the local level. According to the U.S. Census Bureau, data for states, metropolitan areas, counties and cities from the 2002 Economic Census will be published starting in late 2004 and finishing in mid-2005.

County with adjoining municipalities, the State and the United States. 2003 marked the eighth consecutive year in which the County's unemployment rate was less than Suffolk County (4.4%), New York City (8.4%), the State (6.3%) and the United States (6%).

TABLE 6
NON-FARM ANNUAL AVERAGE
EMPLOYMENT AND UNEMPLOYMENT, 1994-2003

Year	Nassau County		Suffolk County		New York City		New York State		United States	
	Employment	Unemployment - Rate	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate	Employment	Unemployment Rate
2003	718.5	3.9	733.2	4.4	3,683	8.4	9,315	6.3	146,510	6.0
2002	683.3	4.1	724.8	4.4	3,727	7.9	9,345	6.1	144,863	5.8
2001	674.1	3.1	711.9	3.5	3,654	6.0	9,113	4.9	143,734	4.7
2000	677.7	2.7	707.0	3.2	3,728	5.7	9,179	4.6	142,583	4.0
1999	699.2	3.0	704.4	3.6	3,592	6.7	9,104	5.2	139,368	4.2
1998	696.4	2.9	697.7	3.5	3,579	8.0	9,090	5.6	137,673	4.5
1997	693.4	3.5	686.7	4.3	3,519	9.4	9,025	6.4	136,297	4.9
1996	679.3	3.8	667.2	4.6	3,382	8.8	8,777	6.2	133,943	5.4
1995	675.6	4.5	655.3	5.4	3,271	8.2	8,639	6.3	132,304	5.6
1994	676.5	5.1	651.0	6.2	3,275	8.7	8,685	6.9	131,056	6.1

SOURCES: Compiled by the County from: State Department of Labor; U.S. Department of Labor, Bureau of Labor Statistics

Key Employment Trends

As indicated in Table 7 below, the annual average employment in non-farm jobs by industry for the years 1996 through 2003 in the Nassau-Suffolk PMSA⁽³⁾ remains high. Industries that achieved their highest level of employment in the past eight years include: education and health services, leisure and hospitality and government. Eighty-eight percent of jobs within the PMSA are in service producing industries. Within the goods producing category, manufacturing jobs have decreased by 4.2% over the last year and by 16.6% since reaching a peak in 1999. Meanwhile, jobs within the natural resources, construction and mining industries have increased by 44% since 1996.

Within the service producing industries, the leisure and hospitality and educational and health service sectors showed respective increases of 3% over the past year. Moreover, since 1996, the leisure and hospitality sector has seen a 21.5% increase in jobs while during the same period the education and health service and professional and business workforce has increased by 18.6% and 15.6% respectively. While jobs within the financial industries have remained relatively constant throughout the last several years, the information industries have shown job declines in each of the last two years.

After reaching a peak of over 273,000 in 2000, jobs in the trade, transportation and utilities sector have decreased by 2.7% over the last three years.

⁽³⁾ Prior to 2004, statistical information compiled by the U.S. Census Bureau, the U.S. Department of labor and other sources was compiled on the basis of MSAs, including the Nassau-Suffolk PMSA. Beginning in 2004, the U.S. Office of Management and Budget revised its geographic Census definitions and replaced MSAs with Core Based Statistical Areas ("CBSAs"). The County is now part of the New York-Newark-Edison, NY-NJ-PA CBSA.

TABLE 7
ANNUAL AVERAGE
NASSAU-SUFFOLK EMPLOYMENT
NON-FARM, BY BUSINESS SECTOR,
1996-2003
(in thousands)

Nassau-Suffolk Employment by Industry	1996	1997	1998	1999	2000	2001	2002	2003
Goods Producing								
Natural Resources Construction & Mining	44.6	47.5	51.4	57.5	61.0	62.4	64.3	64.2
Manufacturing	101.2	101.5	103.6	105.7	105.5	98.9	92.1	88.2
Total Employment Goods- Producing	146.1	149.8	155.0	163.2	166.5	161.2	156.4	152.5
Service Producing								
Trade, Transportation & Utilities	255.1	260.6	264.0	267.1	273.1	271.9	267.5	270.3
Financial Activities	80.0	80.3	81.0	85.5	84.2	81.4	82.0	83.0
Information Educational and Health Services	26.9	28.4	30.0	30.7	31.8	32.9	32.5	29.1
Leisure & Hospitality	162.9	164.7	170.3	175.6	178.5	180.9	187.5	193.2
Other Services	76.4	77.8	79.2	82.8	86.0	88.8	90.1	92.8
Professional & Business Services	43.4	44.5	46.0	50.8	52.1	49.7	50.1	50.8
Government	131.5	136.4	140.9	148.7	155.6	157.7	153.1	152.0
Total Service Producing	955.0	971.3	993.4	1,027.0	1,051.5	1,057.4	1,059.1	1,070.2
Total Non- Farm	1,101.1	1,121.0	1,148.4	1,190.2	1,218.0	1,218.6	1,215.5	1,222.2

SOURCE: State Department of Labor
Note: Totals may not add due to rounding.

The percentage of jobs within each category remains fairly consistent with national figures. Table 8 below compares the employment sectors in the Nassau-Suffolk PMSA to the national employment rates by industry. Nationwide, 18% of jobs were in the goods producing sector compared to 12% in the Nassau-Suffolk PMSA. In addition, the Nassau-Suffolk PMSA has fewer jobs within the trade, transportation and utility and manufacturing industries and more jobs in assorted services.

TABLE 8
PERCENTAGE OF NON-FARM EMPLOYMENT
BY BUSINESS SECTOR, 2003

Business Sector	Nassau-Suffolk PMSA (%)	United States (%)
Goods Producing		
Natural Resources*, Construction & Mining	5	5
Manufacturing	7	13
Total Production of Goods	12	18
Service Providing* or Service Producing**		
Trade, Transportation & Utilities	22	28
Financial Activities* or Finance, Insurance & Real Estate**	7	6
Assorted Services	42	31
Government	16	16
Total Production of Services	88	82

SOURCES: Compiled by the County from: State Department of Labor (Nassau-Suffolk PMSA) and the U.S. Department of Labor, Bureau of Labor Statistics (United States).

*Nassau-Suffolk PMSA

**United States

Major County Employers and Key Employer Trends

Consistent with recent job growth in the educational and health services and leisure and hospitality industries, the County's largest employer, with a work force of approximately 30,000, is the North Shore-Long Island Jewish Health System based in Great Neck (see Table 9 below for the County's major commercial and industrial employers). Four of the top employers in the County are the communication firms Cablevision and Verizon, the energy company KeySpan and the defense technology firm Northrop Grumman Integrated Systems.

TABLE 9

MAJOR COUNTY COMMERCIAL AND INDUSTRIAL EMPLOYERS

Employer	Type	<i>Approx. no. Employees*</i>
North Shore-Long Island Jewish Health System	Health Care Entertainment/ Telecommunications	30,000*
Cablevision Systems	Communications	6,567
Verizon Communications	Food Retailing	5,500
King Kullen Grocery Co.	Utility	4,800*
Keyspan Corporation	Institutional	4,418
Hofstra University	Technology	2,470
Northrop Grumman Integrated Systems	Jewelry/Home Furnishings	1,800
Fortunoff Fine Jewelry	Manufacturing	1,350
Griffon Corporation		1,200

SOURCES: Compiled by the County from: Long Island Business News "2004 Book of Lists", Long Island Business Association.

*Company headquarters are located in the County, number may include employees who work outside of the County.

Construction Activity

Table 10 below is a composite list of construction activity in the County for residential, business, industrial and public building construction from the years 1992 through 2001. While overall building growth decreased by 17% in 2001, construction activity in the County remains robust. In 2001, the County ranked third over the past ten years for most building permits issued for all construction and reached peaks in the construction of public and industrial buildings.

TABLE 10**COUNTY CONSTRUCTION ACTIVITY, 1992-2001**

Year	Single-Family Dwellings	Other Housing Units*	Business Buildings	Industrial Buildings	Public Buildings	Total Buildings
2001	614	884	30	21	16	1,565
2000	790	1,009	58	21	9	1,887
1999	639	540	34	8	16	1,237
1998	746	563	42	5	13	1,369
1997	860	862	56	14	7	1,799
1996	518	498	36	7	4	1,063
1995	552	401	70	4	8	1,035
1994	522	208	35	9	11	785
1993	490	351	59	0	4	904
1992	413	184	40	6	5	648
Totals	6,144	5,500	460	95	93	12,292

SOURCE: County Planning Commission

*Other housing units include two-family, multi-family dwellings and conversions.

Table 11 below lists the number and estimated dollar value of building permits issued for Class 4 property in the County for the years 1992 through 2002. Class 4 property includes commercial, industrial, institutional buildings and vacant land. As indicated in the table, there was a 14.7% decrease in the number of permits received for these categories from 2001 to 2002 and a 17.2% decrease in estimated value, or \$50.9 million dollars.

TABLE 11**NUMBER AND VALUE OF BUILDING PERMITS IN THE COUNTY, CLASS 4 PROPERTY, 1992-2002**

Year	Number of Permits Received	Estimated Dollar Value on Permits
2002	2,730	\$283,999,027
2001	3,201	\$343,166,830
2000	3,444	\$355,868,375
1999	3,549	\$388,590,248
1998	3,405	\$344,316,996
1997	3,857	\$315,961,972
1996	3,156	\$256,497,726
1995	3,263	\$297,169,504
1994	3,208	\$186,225,660
1993	3,222	\$187,076,912
1992	3,063	\$208,361,232

SOURCE: County Planning Commission.

According to the latest available inventory, in 2003 the County had 215 office buildings comprising a total of approximately 22.4 million square feet. Due in most part to the return of sublet space to the market and direct space in central the County, available space increased by approximately 20% over the previous year to 2.36 million square feet. Accordingly, the vacancy rate rose from 9.8% to 10.5% over the last year. The County contains 57 and 158 buildings in the Class A and Class B categories, respectively. Class A buildings show a 13.6% availability rate while Class B buildings show 7.7%. While no new construction occurred during 2003 for Class B buildings, 110,000 square feet of new construction occurred in the Class A category.

Housing

In 2003, new residential construction activity in the County increased by approximately 5% (47 units) from 985 to 1,032. In the past year, the County issued the most building permits in the past three years. Table 12 below shows the value of new construction and number of dwelling units by building permit for 1993-2003. Over the last year, the County showed a 10% decrease in the construction of single-family dwellings. By contrast, the County showed a 2% increase in the construction of two-family units. Table 13 below indicates the number of County new residential housing units by size category for 1993-2003.

TABLE 12
COUNTY NEW RESIDENTIAL CONSTRUCTION ACTIVITY, 1993-2003
(in thousands)

Year	Value of New Residential Construction	No. of New Dwelling Units By Building Permit
2003	N/A	1,032
2002	\$222,722	985
2001	229,464	989
2000	266,259	1,506
1999	199,433	1,151
1998	189,668	1,021
1997	188,345	1,372
1996	156,547	976
1995	104,002	860
1994	109,032	753
1993	99,188	794

SOURCES: U.S. Census Bureau, Construction Statistics Division-Building Permit Branch; prepared by Suffolk County Planning Department and the Long Island Regional Planning Board.

TABLE 13**NUMBER OF COUNTY NEW RESIDENTIAL HOUSING UNITS
AUTHORIZED BY BUILDING PERMIT BY SIZE CATEGORY, 1993-2003**

Calendar Year	1 Family	2 Family	3-4 Family	5 or more Family	Total
2003	663	36	0	333	1,032
2002	740	30	3	212	985
2001	688	32	4	265	989
2000	753	142	6	605	1,506
1999	730	50	3	368	1,151
1998	770	34	4	213	1,021
1997	925	42	34	371	1,372
1996	623	52	0	301	976
1995	734	60	0	66	860
1994	587	54	4	108	753
1993	534	68	0	192	794

SOURCES: U.S. Census Bureau, Construction Statistics Division-Building Permit Branch; prepared by Suffolk County Planning Department and the Long Island Regional Planning Board.

According to the 2000 U.S. Census, the number of housing units in the County increased by 3% from 446,292 in 1990 to 458,151 in 2000. The County (80%) has a higher percentage of owner-occupied units than the State (66%) and the nation (53%) as a whole.

Housing prices and sales have been one of the County's strongest economic indicators over the last several years. Median home prices in the County have risen increased by almost 56% since 2000 and 13% over the past year. In 2003, the County reached a high for annual median sales price (\$395,000). It also marked the second consecutive year that over 8,600 houses were sold. Table 14 below shows home sales in the County from 1993 to 2003. According to the Multiple Listing Service of Long Island, the median value of owner-occupied homes in the County (\$242,300) was higher than both the State (\$148,700) and the nation (\$119,600).

TABLE 14**COUNTY HOME SALES, 1993-2003**

Year	Median Sales Price	Annual Sales (\$000)	No. of Homes Sold
2003	\$395,000	N/A	8,646
2002	350,000	\$3,722,598	8,654
2001	290,000	2,422,686	7,545
2000	252,500	1,994,682	7,002
1999	230,000	1,916,307	7,389
1998	204,500	1,892,255	8,199
1997	180,000	1,641,168	7,835
1996	175,000	1,485,489	7,319
1995	168,300	1,359,012	6,795
1994	171,000	1,450,242	7,125
1993	177,500	1,200,374	5,887

SOURCES: Compiled by the County from: The October 2001 LIPA Annual Business Fact Book, 1993-2000; Multiple Listing Service of Long Island Inc., 2001-2003; New York State Association of Realtors.

Transportation

MTA Long Island Bus (“MTALIB”), a subsidiary of the Metropolitan Transportation Authority, is the County’s principal public surface transit provider and the third largest suburban bus system in the United States. Operating a network 54 routes, the MTALIB provides transit service for most of the County as well as parts of eastern Queens and western Suffolk County. The density of MTALIB’s route network conforms to the development pattern of the County. MTALIB operates approximately 336 fixed route buses and 81 para-transit vehicles, including service across the Queens-Nassau line to subway and bus stations in Flushing, Far Rockaway and Jamaica. MTALIB has an average ridership of 105,000 passengers each weekday and serves 96 communities, 46 Long Island Rail Road (“LIRR”) stations, most area colleges and universities, as well as employment centers and shopping malls.

The mid-year forecast as of July 2004 shows that the total MTALIB estimated budget for 2004 was \$105.8 million, of which \$45.8 million or 43%, was derived from passenger fares and other operating revenue. The estimated cost to the County and the State of operating MTALIB for 2004 was approximately \$57.7 million. The County’s share of the cost was approximately \$7.4 million; State subsidies and additional State aid accounted for approximately \$35.6 million; and, MTA subsidies accounted for the remaining \$14.8 million.

The LIRR provides train service for the entire County. With an annual ridership of 85 million, the LIRR is the busiest railroad in North America. Over 60% of the LIRR’s passenger trips originate in the County. On weekdays, about 70% of the system’s passenger trips occur during morning and evening peak travel periods. The LIRR provides service on 9 branches: Port Washington, Oyster Bay, West Hempstead, Hempstead, Long Beach, Far Rockaway, Port Jefferson, Ronkonkoma and Babylon. These branches provide service through the County to eastern destinations in Suffolk County and western destinations of Penn Station in Manhattan, Flatbush Avenue in Brooklyn, as well as Jamaica and Hunters Point/Long Island City in Queens.

The LIRR's approximately \$4.6 billion capital improvement program has helped facilitate the rehabilitation of Penn Station, renovations at Jamaica and Flatbush Avenues (all in New York City), and the continual maintenance of replacing tracks, ties, and switches and renovations underway at numerous stations. The LIRR has a fleet of M-1, M-3 and M-7 electric cars, along with bi-level coaches, which operate with diesel and dual-mode locomotives. In the County, the LIRR is completely electrified, except for the Oyster Bay Branch east of East Williston. Currently, the LIRR has contracted to expand its fleet of electric cars with the goal of phasing all M-7 into service by 2008.

The County highway system consists of over 4,000 miles of paved roads that include parkways, highways, major arteries, collector streets and local streets, which are operated and maintained by different levels of government. The eight major east-west roadways that provide direct through service to New York City and Suffolk County include: Northern Boulevard, Long Island Expressway, Northern State Parkway, Jericho Turnpike, Hempstead Turnpike, Southern State Parkway, Sunrise Highway, and Merrick Road.

The County is located within close proximity to John F. Kennedy International Airport ("JFK") and LaGuardia Airport ("LaGuardia"), both located in Queens County, and to Islip Long Island MacArthur Airport ("Islip"), located in Suffolk County. JFK and LaGuardia are easily accessible to County residents by all major east-west roadways as well as airport shuttle and express bus service. JFK is also accessible by MTALIB. The Air Train service, a light rail system connecting Jamaica Station in Queens to JFK, opened in early 2004. Islip is accessible by the Long Island Expressway and Southern State Parkway as well as the LIRR.

In order to eliminate delays, congestion, and trouble spots on the highway network, the County has adopted the federal Transportation Improvement Program ("TIP"), as implemented by the State Department of Transportation. The TIP is a compilation of transportation improvement projects such as preserving and upgrading bridges, highways and making system-wide capacity and safety improvements scheduled to take place during a five-year period. Currently, the County is involved in updating the TIP for federal fiscal years 2006-2010.

Utility Services

Electrical service is provided to the County by the Long Island Power Authority ("LIPA"), which became Long Island's non-profit electric utility in 1998. LIPA's electric system, which serves 1.1 million customers, is operated by KeySpan, (the parent company of KeySpan Energy Delivery), the largest investor-owned electric generator in the State. KeySpan, which is the largest distributor of natural gas in the northeast United States, also provides gas distribution in the County. The incorporated villages of Freeport and Rockville Centre operate their own electrical generation plants.

LIPA is funded through legislation that requires the utility to make payments in lieu of taxes ("PILOTS") to municipalities and school districts commensurate with property taxes that would have been received by each jurisdiction from the Long Island Lighting Company ("LILCO"), the County's former provider of electrical service. LIPA is also required to make PILOTS for certain State and local taxes which would otherwise have been imposed on LILCO. Numerous private companies in the County provide telephone service.

Health and Hospital Facilities

Rated among the best health and hospital facilities in the country, the County provides 4,669 certified hospital beds in 13 hospitals and employs 7,688 licensed medical doctors, 1,969 dentists, 739 chiropractors, 320 podiatrists and 18,420 registered nurses. The North Shore University Hospital in

Manhasset is the highest-rated hospital in the United States. The North Shore Long Island Jewish Health System is County's largest employer (approximately 30,000 employees), the third largest non-profit, secular health care system in the nation and part of the largest integrated healthcare network (Modern Healthcare) in the Northeast United States.

Other hospitals of note in the County include the Nassau University Medical Center in East Meadow, St. Francis Hospital in Roslyn, the Winthrop-University Hospital in Mineola, and the Memorial-Sloan Kettering Cancer Center at Mercy Medical Center in Rockville Centre.

Media

The daily newspaper *Newsday* is circulated in the County and Suffolk and Queens counties. Approximately 80 weekly newspapers cover news and events in the County. Some of these focus on events in specific towns, villages and communities, and other focus on niche industries, such as Long Island Business News – a 50-year-old tabloid that covers both Nassau and Suffolk Counties.

The County is home to two broadcast television stations, Channels 21 and 57, and receives nine additional VHF and UHF stations. In addition, News 12 provides local news coverage (on cable only). Cable programming is available throughout the County via Cablevision Systems Corp., and provides access to channels with a local focus. Satellite programming is also available in the County.

Because of its proximity to New York City, events in the County attract regular coverage in New York City newspapers such as the *New York Times*, the *Daily News*, and the *New York Post*. Radio coverage includes nine County-based stations and 52 regional and neighboring stations that consider the County as part of their listening area.

Educational Facilities

There are 56 school districts in the County, with a total enrollment of 205,919 students. The individual school boards and the Board of Cooperative Educational Services (BOCES) are the primary managers of these school districts and provide services such as career training for high-school students and adults, special education, alternative schools, technology education and teacher training. Various public and private organizations manage the County's other educational facilities. The County's non-public schools, which are located in a number of municipalities, provide education in the State Regents program as well as in special and technical programs.

Many County public schools have received national recognition; a 2003 Newsweek magazine article cited 13 County high schools among the top 100 public high schools in the nation.

Over 71,000 students attend County colleges and universities, some of which are highly specialized and have garnered nationwide attention for their programs. These institutions include: Long Island University/C.W. Post College, Adelphi University, Hofstra University, New York Institute of Technology, U.S. Merchant Marine Academy, Nassau Community College, Webb Institute, Molloy College and the State University of New York/Old Westbury.

Colleges and universities in the County promote cross-disciplinary research, technology development and an integrated curriculum to prepare students for the growing bioscience industry. Undergraduate and graduate level programs available throughout the County's institutions of higher learning specialize in fields such as biology, chemistry, biochemistry, engineering, and physical sciences in courses such as bioengineering, biotechnology and pharmacology.

Recreational and Cultural Facilities

The County has numerous recreational and cultural facilities. One of the most popular destinations among the County's parks and beaches is the 2,413-acre Jones Beach State Park in Wantagh. With approximately six to seven million visitors annually, Jones Beach State Park features a six-mile ocean beachfront, a two-mile boardwalk and the 11,200-seat, Tommy Hilfiger at Jones Beach Theater performing arts center, which attracts world-class musical acts. There are dozens of other public beaches located along both the Atlantic Ocean and the Long Island Sound shoreline. In addition, the County is home to the 930-acre, Eisenhower Park in the Town of Hempstead, Bethpage State Park in Farmingdale and numerous small local parks and campgrounds which offer a broad spectrum of recreational opportunities.

On a national level, the County is home to many high profile professional sporting events and teams. The Bethpage Golf Course, located in Bethpage State Park, hosted the 2002 U.S. Open and is scheduled to host the 2009 U.S. Open. Belmont Racetrack, located in Elmont, is home to the Belmont Stakes, the third race in horse racing's prestigious Triple Crown. The Nassau Veterans Memorial Coliseum in Uniondale is home to the four-time Stanley Cup Champion New York Islanders of the National Hockey League and the Arena Football League's New York Dragons. Eisenhower Park's 80,000 square foot Swimming and Diving Center is the largest pool in the Northern Hemisphere.

In terms of cultural and historic resources, the County boasts eleven museums, including the County-owned Cradle of Aviation Museum and the Long Island Children's Museum in Garden City, as well as historic sites such as Old Bethpage Village and Theodore Roosevelt's estate at Sagamore Hill in Cove Neck.

In an effort to preserve open space, natural and scenic resources for additional recreational opportunities, in 2003 the County created the Open Space Fund, which receives 5% of the proceeds from County land sales for open space land acquisition purposes.

Water Service and Sanitary Sewer Facilities

There are 47 water districts in the County providing water service to over 90% of the County's residents. Approximately 3,550 residents of the less densely populated northern sections of the County draw their water from private wells.

The natural geology of the County yields four aquifers located between subsurface rock strata. These aquifers serve the County with fresh water and are continuously being recharged by precipitation.

In a study performed by the Long Island Regional Planning Board on Long Island's population, the projected population of Long Island for the year 2010 is predicted to remain at the present level of 1.3 million. Based on studies of projected residential, commercial and industrial daily water use, the demand of water from Long Island's groundwater supply will be 180 million gallons per day. Recharge of the groundwater system has increased from 332 million gallons per day to 341 million gallons per day as a result of the County's storm water recharge basins capturing storm water for aquifer recharge. This leaves a daily recharge surplus of 153 million gallons. This recharge surplus ensures ample amounts of fresh water for the future.

The Division of Sanitation and Water Supply within the County Department of Public Works maintains and operates the County's sewerage and water resources facilities. In 2003, upon the approval of the County Legislature, state legislation created a single, County-wide sewer and storm water resources district, replacing the County's prior three sewage disposal districts and 27 sewage collection districts.

Most sewage in the County's sewer system is treated at the Inwood Pump Station, the Bay Park Sewage Treatment Plant (Bay Park) in East Rockaway or the Cedar Creek Water Pollution Control Plant (Cedar Creek) located in Wantagh. Sewage collected within the area corresponding to the former County sewage collection district of Lido Beach is processed at the City of Long Beach's sewage treatment plant.

Six villages in the County (Freeport, Garden City, Hempstead, Mineola, Rockville Centre and Roslyn) own and operate their own collection districts which discharge to the County's disposal system. The sewage collected by these systems is discharged to and processed at one of the County-operated sewage treatment plants, either Bay Park or Cedar Creek. In addition, there are several sewage collection systems and treatment plants within the County that are operated by other governmental agencies or special districts.

APPENDIX B

SUMMARY OF INDENTURE AND AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

SUMMARY OF INDENTURE AND AGREEMENT

This summary of the Indenture and the Agreement is qualified in its entirety by reference to such documents, copies of which are available from the Authority.

Definitions. The following terms, among others, are defined in the Indenture or the Agreement:

“*Accounts*” means the Collection Account, the Bond Account and the Redemption Account.

“*Accrued Debt Service*” means, as of any date of calculation, an amount equal to the sum of the amounts of accrued and unpaid Debt Service, calculating the accrued Debt Service with respect to each obligation to include Debt Service (including interest and Principal Installments) to accrue to the end of the then current calendar month and calculating any Principal Installments to be that portion of any such payments which would accrue during such period if such Principal Installments were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such obligations (or, if there is no preceding Principal Installment due date or such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of such obligations, whichever date is later). For the purposes of this definition, Principal Installment means, with respect to any obligations the payment of which constitute Debt Service, principal and sinking fund payments and any other such payment obligations not constituting interest or an interest component of such payment obligation.

“*Act*” means the Nassau County Interim Finance Authority Act, as supplemented by chapter 179 of the laws of 2000 and as amended from time to time, including, but not limited to, Chapter 528 of the Laws of 2002.

The term “*ancillary contracts*” means contracts entered into pursuant to law by the Authority or for its benefit or the benefit of any of the Beneficiaries to facilitate the issuance, sale, resale, purchase, repurchase or payment of Bonds or Notes, including bond insurance, letters of credit and liquidity facilities.

“*Beneficiaries*” means Bondholders and, to the extent specified in the Indenture, Noteholders and the parties to ancillary and swap contracts.

“*Bondholders*,” “*Noteholders*” and similar terms mean the registered owners of the Bonds and Notes from time to time as shown on the registration books of the Authority or its designee as registrar, and, to the extent specified by Supplemental Indenture, the owners of bearer Bonds and Notes.

“*Bond Proceeds Fund*” means the Bond Proceeds Fund established pursuant to the Agreement.

“*Bonds*” means all obligations issued as Bonds.

“*Counsel*” means nationally recognized bond counsel or such other counsel as may be selected by the Authority for a specific purpose.

“*Debt Service*” means interest, redemption premium, purchase price to the extent provided by Officer’s Certificate of the Authority, principal and sinking fund payments due on outstanding Senior

Bonds and (to the extent provided by Supplemental Indenture) Notes, and amounts payable from the Bond Account on Senior Agreements.

“*Debt Service Liquidity Account*” shall mean the Account so designated and held by the Trustee pursuant to the Indenture.

“*Debt Service Liquidity Account Insurance Policy*” shall mean the insurance policy, surety bond or other acceptable evidence of insurance, if any, to be deposited in the Debt Service Liquidity Account in lieu of or in partial substitution for cash or securities on deposit therein, for the purpose of making the payments required to be made from the Debt Service Liquidity Account under the Indenture. The issuer providing such insurance shall be a municipal bond insurer whose policy or bond results in the rating of municipal obligations secured by such policy or bond to be rated, at the time of deposit into the Debt Service Liquidity Account, in the highest rating category by (i) either S&P, Moody’s or Fitch or (ii) if such corporations are dissolved or liquidated or no longer perform the functions of a securities rating agency, a nationally recognized rating agency.

“*Debt Service Liquidity Account Requirement*” shall mean, as of the date of issuance of any Senior Bonds, the amount, if any, required by the Indenture to be on deposit in the Debt Service Liquidity Account, which shall be one-twelfth of the maximum aggregate amount of Principal Installments and interest becoming due in the current or any future Fiscal Year on Outstanding Senior Bonds, including on the Senior Bonds to be issued contemporaneously with such computation, using the Estimated Average Interest Rate for any variable interest rate Senior Bonds (or any reimbursement obligations issued in connection therewith which are deemed to be Bonds pursuant to the related Supplemental Indenture); provided, however, such Debt Service Liquidity Account Requirement shall be equal to \$0.0 unless, at the time of such required computation, the Authority’s projected maximum required monthly deposit of Sales Tax Revenues upon the issuance of such Senior Bonds is greater than one-half of the lowest total of actual monthly Sales Tax Revenue collections (as deposited into the Collection Account by the State Comptroller) in the last twenty-four full calendar months.

“*Declaration of Need*” means a determination and declaration by the County that it requests the Authority to undertake a Financing of Financeable Costs pursuant to and in accordance with the Act.

“*Defeasance Collateral*” means money and (A) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including “CATS,” “TIGRS” and “TRS” unless the Authority obtains Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(B) obligations timely maturing and bearing interest but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof;

(C) certificates evidencing ownership of the right to the payment of the principal of or interest on obligations described in clause (B) of this definition, provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian; and

(D) bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, and (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (A), (B) or (C) of this definition which fund may be applied only to the payment when due of such bonds or other obligations.

“*Defeased Bonds*” means Bonds or Notes that remain in the hands of their Holders but are no longer deemed Outstanding.

“*Eligible Investments*” means and includes any of the following obligations to the extent they are at the time legal for investment of such funds pursuant to any applicable provision of law:

- (i) Defeasance Collateral;
- (ii) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, FNMA or the Federal Farm Credit System;
- (iii) demand and time deposits in or certificates of deposit of, or bankers’ acceptances issued by, any bank or trust company, savings and loan association or savings bank, if such deposits or instruments are rated A-1+ by S&P and the long-term unsecured debt obligations of the institution holding the related account has one of the two highest ratings available for such securities by Moody’s and Fitch;
- (iv) general obligations of, or obligations guaranteed by, any state of the United States, the District of Columbia or Puerto Rico receiving one of the two highest long-term unsecured debt ratings available for such securities by any two Rating Agencies;
- (v) commercial or finance company paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) that is rated A-1+ by S&P and in one of the two highest categories by Moody’s and Fitch;
- (vi) repurchase obligations with respect to any security described in clause (i) or (ii) above entered into with a broker/dealer, depository institution or trust company (acting as principal) meeting the rating standards described in clause (iii) above;
- (vii) units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated in one of the two highest categories by Moody’s and Fitch and at least AAm or AAm-G by Standard & Poor’s, including if so rated any fund which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee charges and collects fees and expenses (not exceeding current income) from such funds for services rendered, (b) the Trustee charges and collects fees and expenses for services rendered pursuant to the Indenture, and (c) services performed for such funds and pursuant to the Indenture may converge at any time (the Authority specifically authorizes the Trustee or an affiliate of the Trustee to charge and collect all fees and expenses from such funds for services rendered to such funds, in addition to any fees and expenses the Trustee may charge and collect for services rendered pursuant to the Indenture);

(viii) investment agreements or guaranteed investment contracts (copies of which have been furnished to the Rating Agencies) rated, or with any financial institution whose senior long-term debt obligations are rated, or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, in one of the two highest rating categories for comparable types of obligations by any two Rating Agencies; or

(ix) investment agreements with a corporation whose principal business is to enter into such agreements if (a) such corporation has been assigned a counterparty rating by Moody's and Fitch in one of the two highest categories, S&P has rated the investment agreements of such corporation in one of the two highest categories, (b) the Authority has an option to terminate each agreement in the event that such counterparty rating is downgraded below the two highest categories by Moody's and Fitch or the investment agreements of such corporation are downgraded below the two highest categories by S&P, and (c) a copy of the investment agreement has been furnished to the Rating Agencies;

provided that no investment held in the Bond Proceeds Fund may (a) evidence the right to receive only interest with respect to the obligations underlying such instrument or (b) be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

"Estimated Average Interest Rate" means, as to any obligations bearing a variable interest rate and as of any date of calculation, the interest rate or rates anticipated to be borne by such Bonds and the period or periods for which such rate or rates are anticipated to be in effect, all as determined by the Authority as the greater of the Index plus 2%, or the actual average for the last twenty-four months of variable interest rates on Outstanding variable interest rate Bonds, which rate or rates may, to the extent determined by the Authority, be the rate or rates payable in connection with such obligations and a related swap contract meeting the requirements of the Indenture.

"FHLMC" means the Federal Home Loan Mortgage Corporation.

"Fiduciary" means the Trustee, any representative of the Holders of Notes or Subordinate Bonds appointed by Supplemental Indenture, or any Paying Agent, including each fiscal agent.

"Financeable Costs" has the meaning given to the term "financeable costs" in the Act.

The term *"fiscal agent"* means each Paying Agent (initially the Trustee) designated by the Authority to act as registrar and transfer agent.

"Fitch" means Fitch, Inc.; references to Fitch are effective so long as Fitch is a Rating Agency.

"FNMA" means the Federal National Mortgage Association.

"Index" when calculating the Estimated Average Interest Rate, shall mean the average for the last twenty-four calendar months of (a) the BMA Municipal Swap Index™ formerly, the PSA Municipal Swap Index™ (as such term is defined in the *1992 ISDA U.S. Municipal Counterparty Definitions*) (the "BMA Municipal Swap Index™") or (b) if the BMA Municipal Swap Index™ is no longer published, the Kenny Index™ (as such term is defined in the *1992 ISDA U.S. Municipal Counterparty Definitions*) or (c) if neither of the BMA Municipal Swap Index™ nor the Kenny Index™ are published, the index determined to equal the prevailing rate determined by the Authority for tax-exempt state and local government bonds meeting criteria determined in good faith by the Authority to be comparable under the circumstances to the criteria used by the Bond Market Association to determine the BMA Municipal

Swap Index™ just prior to when the Bond Market Association stopped publishing the BMA Municipal Swap Index™.

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

“*Majority in Interest*” means the Holders of a majority of the Outstanding Bonds or Notes eligible to act on a matter, measured by face value at maturity unless otherwise specified in a Supplemental Indenture.

The term “*maximum annual debt service on all Authority bonds, notes and other evidences of indebtedness*” means as determined by the Authority at any give time, the greatest amount of interest, principal and sinking fund payments on all outstanding Authority bonds, notes and ancillary and swap contracts (including payments on Subordinate Bonds and Notes and Senior Bonds and Notes, but excluding payments on Bond Anticipation Notes anticipated by the Authority to be repaid from Authority bonds, whether or not any such payments constitute Debt Service) payable in the current or any future fiscal year.

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

The term “*operating expenses*” means all expenses incurred by the Authority in the administration of the Authority including but not limited to salaries, administrative expenses, insurance premiums, auditing and legal expenses, fees and expenses incurred for professional consultants and fiduciaries, payments on Notes and swap and ancillary contracts not paid as Financeable Costs or from the Bond Account, transfers to pay or service Subordinate Bonds, and all operating expenses so identified by Supplemental Indenture.

“*Outstanding*,” when used to modify Bonds or Notes, refers to Bonds or Notes issued under the Indenture, excluding: (i) Bonds or Notes which have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment; (ii) Bonds or Notes which have been paid; (iii) Bonds or Notes which have become due and for the payment of which money has been duly provided; (iv) Bonds or Notes, including any portion of any Series thereof, for which there has been irrevocably set aside sufficient Defeasance Collateral timely maturing and bearing interest, to pay or redeem them; and if any such Bonds or Notes are to be redeemed prior to maturity, the Authority shall have taken all action necessary to redeem such Bonds or Notes and notice of such redemption shall have been duly mailed in accordance with the Indenture or irrevocable instructions so to mail shall have been given to the Trustee; (v) Bonds and Notes, including any portion of any Series thereof, the payment of which shall have been provided for pursuant to the defeasance of the Indenture; and (vi) for purposes of any consent or other action to be taken by the Holders of a Majority in Interest or specified percentage of Bonds or Notes, Bonds or Notes held by or for the account of the Authority, the County or any person controlling, controlled by or under common control with either of them.

“*Rating Agency*” means each nationally recognized statistical rating organization that has, at the request of the Authority, a rating in effect for the unenhanced Senior Bonds.

“*Rating Confirmation*” means evidence that no Senior Bond rating in effect from a Rating Agency will be withdrawn or reduced solely as a result of an action to be taken under the Indenture.

“*Requisition*” means a certificate in writing signed by an Authorized Officer of the County in the form required by the Authority under the Agreement.

“*Revenues*” means the Sales Tax Revenues, investment earnings on money and investments on deposit in the Accounts and all other income and receipts (other than Note or Bond proceeds) paid or payable to the Authority or the Trustee for the account of the Authority to the extent such other income and receipts are to be treated as Revenues under the terms of the Indenture, but in no event shall Revenues include any Transitional State Aid.

“*Sales Tax Revenues*” means the sales and compensating use tax net collections paid or payable to the Authority pursuant to §1261 of the Tax Law or a successor statute.

“*Senior Agreements*” means ancillary and swap contracts to the extent that amounts are payable thereon from the Bond Account pursuant to a Supplemental Indenture.

“*Senior Bonds*” means all Bonds issued as Senior Bonds.

“*Senior Notes*” means all Notes issued as Senior Notes.

“*Series*” means all Notes or Bonds so identified in a Supplemental Indenture, regardless of variations in maturity, interest rate or other provisions, and any Notes or Bonds thereafter delivered in exchange or replacement therefor.

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

“*Subordinate Agreements*” means ancillary and swap contracts to the extent that such contracts are not Senior Agreements.

“*Subordinate Bonds*” means all Bonds other than Senior Bonds.

“*Subordinate Notes*” means all Notes other than Senior Notes.

The term “*swap contract*” means an interest rate exchange or similar agreement entered into by the Authority pursuant to the Act, with Rating Confirmation from each Rating Agency.

“*Tax-Exempt Bonds*” or “*Tax-Exempt Notes*” means all Bonds or Notes so identified in any Supplemental Indenture.

“*Tax Law*” means the Tax Law of the State, as amended from time to time.

THE INDENTURE

Directors, State and County Not Liable on Notes or Bonds. Neither the Directors of the Authority nor any person executing Notes, Bonds or other obligations of the Authority shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

The Notes, Bonds and other obligations of the Authority shall not be a debt of either the State or the County, and neither the State nor the County shall be liable thereon, nor shall they be payable out of any funds other than those of the Authority; and the Notes and Bonds shall contain on the face thereof a statement to such effect.

Security and Pledge. Pursuant to the Act, the Authority assigns and pledges to the Trustee subject only to the provisions of the Indenture permitting the application thereof for the purposes and on

the terms and conditions set forth therein, (a) the Revenues, (b) all rights to receive the Revenues and the proceeds of such rights, (c) all Accounts and assets thereof, including money, contract rights, general intangibles or other personal property, held by the Trustee, (d) the State Covenant and tax contract of the State and the County Covenant and the other covenants, agreements and acknowledgements of the County made in the Indenture and the Agreement and (e) any and all other property of every kind and nature from time to time, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security. Except as specifically provided, this assignment and pledge does not include: (i) the rights of the Authority pursuant to provisions for consent or other action by the Authority, notice to the Authority, indemnity or the filing of documents with the Authority, or otherwise for the Authority's benefit and not for that of the Beneficiaries, or (ii) any right, duty or power reserved to the Authority pursuant to the Act or other law. The Authority will implement, protect and defend this assignment and pledge by all appropriate legal action, the cost thereof to be an operating expense. The preceding, and all pledges and security interests made and granted by the Authority pursuant to the Indenture, are immediately valid, binding and perfected to the full extent provided by the Act. The foregoing collateral is pledged and a security interest is therein granted, to secure the payment of Bonds, Notes, and payments in respect of Senior Agreements and Subordinate Agreements; provided, however, that the pledge and security interest granted to secure the Authority's obligation to pay Subordinate Bonds and Subordinate Agreements shall be subject and subordinate to the pledge and security interest granted to secure Debt Service. The lien of such pledge and the obligation to perform such contractual provisions shall have priority over any or all other obligations and liabilities of the Authority secured by the Revenues. The Authority shall not incur any obligations, except as authorized by the Indenture, secured by a lien on the Revenues or Accounts equal or prior to the lien of the Indenture.

Defeasance. (a) If the Authority shall pay or cause to be paid to the Beneficiaries of all obligations then Outstanding the principal and interest and redemption price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the respective covenants of the Authority, the State and the County to the Beneficiaries shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all money, securities and funds held by them pursuant to the Indenture which are not required for the payment or redemption of obligations not theretofore surrendered for such payment or redemption.

(b) Outstanding Bonds or Notes or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Paying Agents shall, at the respective maturity or redemption dates thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) above. Outstanding Bonds or Notes or any portions thereof shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) above either (A) as provided in the Supplemental Indenture authorizing their issuance or (B) if (i) in case any of said Bonds or Notes are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in the Indenture notice of redemption on said date of such obligations, (ii) there shall have been irrevocably deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Collateral the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, to pay when due, the principal or redemption price, if applicable, and interest due and to become due on such Bonds or Notes or such portions thereof on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such Bonds or Notes are not by their terms maturing or are not subject to redemption within the next succeeding 60 days, the Authority

shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Beneficiaries of such Bonds or Notes that the deposit required by (ii) above has been made with the Trustee and that said Bonds or Notes are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which money is to be available for the payment of the principal or redemption price, if applicable, on such Bonds or Notes. Neither Defeasance Collateral nor money deposited with the Trustee pursuant to the Indenture nor principal or interest payments on any such Defeasance Collateral shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds or Notes provided that any money on deposit with the Trustee, (x) to the extent such money will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or Notes or otherwise existing under the Indenture, and (y) to the extent such money will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Collateral maturing at times and in amounts sufficient, together with any money available to the Trustee for such purpose, to pay when due the principal or redemption price, if applicable, and interest to become due on said Bonds or Notes on and prior to such redemption date or maturity date thereof, as the case may be.

(c) Upon such defeasance, the funds and investments required to pay or redeem the Bonds, Notes and other obligations to Beneficiaries shall be irrevocably set aside for that purpose, subject only, however, to the provisions of the Indenture relating to unclaimed money, and money held for defeasance shall be invested only as provided above and applied by the Trustee and other Paying Agents, if any, to the retirement of the Bonds and Notes and other obligations. Any funds or property held by the Trustee and not required for payment or redemption of the Bonds, Notes and other obligations to Beneficiaries in full shall, after satisfaction of all the rights of the Authority and the Trustee, be distributed to the Authority upon such indemnification, if any, as the Trustee reasonably requires.

Notes and Bonds of the Authority. (a) By Supplemental Indenture complying procedurally and in substance with the Act and the Indenture, the Authority may authorize, issue, sell and deliver (i) Bonds or (ii) Notes, including Notes in anticipation of Bonds, from time to time in such principal amounts as the Authority shall determine to be necessary, to provide sufficient funds to finance Financeable Costs by payment or reimbursement, and funding reserves to secure Notes or Bonds; and may issue Notes or Bonds to renew or refund Notes or Bonds, by exchange, purchase, redemption or payment, and establish such escrows therefor as it may determine.

(b) Bonds and Notes may be issued only:

(i) as Senior Bonds or Notes, or as Subordinate Bonds or Notes;

(x) to pay or reimburse Financeable Costs, but not to exceed the limitations for specified Financeable Costs set forth in the Act in issuance amount, measured by proceeds to the Authority, and in the case of variable interest rate Bonds, not to exceed a total aggregate principal amount Outstanding at any time of \$500 million of such variable interest rate Bonds except to the extent Rating Confirmation is obtained, and

(y) to refund or renew such Bonds or Notes; but

(ii) no Senior Bonds or Notes shall be authenticated and delivered except upon receipt by the Trustee of the following:

- (y) an Officer's Certificate of the Authority setting forth, and based upon information provided to the Authorized Officer filing such Officer's Certificate by the State Comptroller or other State official on whom such Authorized Officer may reasonably rely, the most recent receipts by the Trustee (or by the Authority or the County, as applicable, with respect to the period prior to redirection of such amounts to the Trustee) for the 12 consecutive calendar months ended not more than three months prior to the date of such certificate, of the Sales Tax Revenues, in effect at the date of issuance of such Series of Bonds or Notes, collected by the State and to be payable to the Authority; and
- (z) an Officer's Certificate of the Authority setting forth
 - (I) the aggregate amount of Debt Service (excluding any accrued or capitalized interest), including such Series of Bonds or Notes, for each Fiscal Year Bonds or Notes that will be Outstanding, and
 - (II) that the amounts set forth pursuant to clause (y) will be at least three times the aggregate amount set forth in clause (z)(I) for each Fiscal Year set forth pursuant to clause (z)(I).
- (iii) no Senior Bonds shall be authenticated and delivered except upon receipt by the Trustee of (y) an Officer's Certificate of the Authority making the computation required in the definition of Debt Service Liquidity Account Requirement, determining whether or not such requirement has been triggered, and if so, the amount required to be deposited to the Debt Service Liquidity Account to fulfill such Debt Service Liquidity Account Requirement, and (z) provision for such deposit.

Each interest rate on Outstanding and proposed variable interest-rate Bonds or Notes, shall be assumed at the Estimated Average Interest Rate.

(c) The Notes and Bonds shall bear such dates and shall mature at such times as the Authority may provide pursuant to the Act. The Notes and Bonds shall bear interest at such fixed or variable rates, and shall be in such denomination, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in such medium of payment, at such place and be subject to such terms of redemption as the Authority may provide pursuant to the Act. The Notes and Bonds may be sold by the Authority at public or private sale pursuant to the Act.

Documents to be Delivered to Trustee. The Authority may from time to time request the authentication and delivery of a Series of Bonds or Notes by providing to the Trustee (at or prior to such authentication and delivery), among other documents, the following:

- (a) an Officer's Certificate as to the purposes to be financed and to the effect that there is no default that will remain uncured immediately following such delivery, nor an uncured failure of the State or the County to comply with their respective agreements provided for in the Act, as in effect at the date of the Indenture; and
- (b) an opinion of Counsel as to the due authorization, execution and delivery by the Authority of the Indenture and each relevant Supplemental Indenture; to the effect that the Indenture is in full force and effect and that the Bonds or Notes are valid and binding; and after delivery of the initial

Series of Bonds, to the effect that the issuance of the Bonds or Notes will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or Tax-Exempt Notes theretofore issued (as set forth in the opinions delivered with such prior Bonds or Notes).

Ancillary and Swap Contracts. Pursuant to the Act, the Authority may enter into, amend or terminate, as it determines to be necessary or appropriate, any ancillary or swap contracts, including Senior Agreements. The Authority may by Supplemental Indenture provide for the payment through the Bond Account of any amounts due pursuant to ancillary and swap contracts (excluding termination payments), any such ancillary and swap contracts thereby constituting Senior Agreements. Any amounts paid or payable to the Authority pursuant to any ancillary or swap contract shall constitute a Revenue and, except as otherwise provided in a Supplemental Indenture, shall be deposited in the Bond Account.

Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may, by Supplemental Indenture, authorize the issuance of Notes and renewals thereof in anticipation of such Series. The interest on such Notes and renewals thereof may be made payable from the proceeds of such Notes, from the Bond Account or from the proceeds of the Series of Bonds in anticipation of which such Notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of or interest on such Notes, and any such pledge shall have a priority over any other pledge of such proceeds created by the Indenture. Subject to the Indenture, the Authority may also pledge the Revenues and the Accounts to the payment of the principal of such Notes.

Financeable Costs. Proceeds of the sale of the Bonds and Notes issued for Financeable Costs shall be promptly deposited in the Bond Proceeds Fund to the extent set forth by Supplemental Indenture, and applied to finance Financeable Costs. The Authority shall transfer its earnings on the Bond Proceeds Fund to the Collection Account as Revenues, or otherwise apply such earnings in accordance with the Tax Code pursuant to Officer's Certificate.

Limited Purpose of Indenture. The Indenture provides for the issuance and payment of the Authority's obligations and the financing and refinancing of Financeable Costs. The Indenture is not intended to convey to the Trustee or the Beneficiaries any right to exercise or approve the Authority's oversight powers and duties, including those set forth in the Act, and the right and obligation to exercise such powers and duties is reserved solely to the Authority, nor is the Indenture intended to convey to the Trustee or the Beneficiaries the benefit of any provisions of the Agreement not expressly pledged pursuant to the Indenture. Except as set forth in the Indenture and the Agreement, the Authority, the County and the Trustee shall have no liability to each other or to the Beneficiaries for the construction, reconstruction, acquisition, installation, physical condition, ownership or operation of any capital project of the County financed as a Financeable Cost or for the financing of Financeable Costs.

Application of Revenues. (a) Provision is made in the Act for the payment to the Authority of the Sales Tax Revenues, and the Authority has requested the State Comptroller to make such payments to the Collection Account to be held by the Trustee. Any Revenues received by the Authority shall be promptly deposited in the Collection Account. All Revenues in the Collection Account shall be applied upon receipt by the Trustee, in the following order of priority: *first* to the Bond Account to pay Debt Service pursuant to paragraph (b) summarized below, and any amount, if any, necessary to replenish the Debt Service Liquidity Account to the extent of any withdrawal therefrom; *second*, pursuant to Supplemental Indentures for the benefit of Subordinate Noteholders, Subordinate Bondholders and parties to Subordinate Agreements, to the extent such Supplemental Indentures may require application of Revenues to pay such items after payment of Debt Service but prior to Authority operating expenses; *third*, to the Authority's operating expenses, which may include deposits to the Redemption Account for optional redemption and reserves to be held by the Authority for payment of operating expenses, in such

amounts as may be determined by Supplemental Indenture or Officer's Certificate; and *fourth* except to the extent set forth in the next sentence hereof, as soon as practicable, to the order of the County, free and clear of the lien of the Indenture. The Authority shall set aside Revenues otherwise payable to the County in a "county of Nassau revenue anticipation note withholding fund" to the extent required to comply with Section 3657(6) of the Act.

(b) At the beginning of each calendar month, the Trustee shall begin to transfer all Revenues from the Collection Account to the Bond Account, and shall continue such transfers until the amount in the Bond Account is equal to Accrued Debt Service to the last day of such month (or, if Debt Service is payable on a date other than the first day of each calendar month, to such day of the succeeding month). To the extent that Debt Service includes principal, interest or premium on Bonds or Notes to be purchased or redeemed prior to maturity, such Debt Service may be paid through the Redemption Account, and the Authority may by Officer's Certificate direct the Trustee to transfer Revenues thereto, rather than to the Bond Account.

(c) Prior to any payment date for Debt Service, the Authority may by Officer's Certificate estimate interest payable at a variable rate; or treat anticipated receipts on an ancillary or swap contract as offsets thereto as specified in the Indenture.

(d) The transfers and payments shall be appropriately adjusted by Officer's Certificate of the Authority to reflect the date of issue of Notes or Bonds, any accrued or capitalized interest deposited in the Bond Account or any other amounts irrevocably pledged to the payment of such Debt Service for such period, dates of receipt of Revenues, actual rates of interest, any amount needed or held in the Accounts for Debt Service, and any purchase or redemption of Notes or Bonds, so that there will be available on each payment date the amount necessary to pay Debt Service and so that accrued or capitalized interest will be applied to the installments of interest to which it is applicable.

(e) Revenues shall in all events be transferred from the Collection Account to the Bond Account or Redemption Account to provide for the timely payment of Debt Service, and all Revenues shall be applied to pay Debt Service and other amounts then overdue pursuant to the Indenture.

(f) Money, if any, on deposit in the Debt Service Liquidity Account shall be held in trust and, except as otherwise provided, shall be applied solely to remedy any shortfall in the Bond Account in amounts due on Debt Service. If at any time the amount, if any, on deposit in the Debt Service Liquidity Account is in excess of the Debt Service Liquidity Account Requirement, the Trustee shall transfer such excess from the Debt Service Liquidity Account to the Collection Account.

(g) Notwithstanding anything in the Indenture to the contrary, in lieu, or in partial satisfaction, of any additionally required deposit into the Debt Service Liquidity Account, the Authority may cause to be deposited into the Debt Service Liquidity Account a Debt Service Liquidity Account Insurance Policy, for the benefit of the holders of the Bonds in an amount equal to the required deposit or any portion thereof, and which Debt Service Liquidity Account Insurance Policy shall be payable or available to be drawn upon, as the case may be (upon the giving of notice as required thereunder), on any date on which moneys are required to be paid out of the Debt Service Liquidity Account pursuant to the Indenture.

Bond Account. A Bond Account is established with the Trustee and money shall be deposited therein as provided in the Indenture. Accrued interest received upon the sale of Notes (if so specified by Supplemental Indenture) or Senior Bonds shall be deposited in the Bond Account. The money in the Bond Account shall be held in trust and, except as otherwise provided, shall be applied solely to the payment of Debt Service. If at any time the amount held in the Bond Account exceeds Accrued Debt

Service, the Trustee shall transfer such excess to the Collection Account as Revenues. The Trustee shall pay, or transfer money from the Bond Account to a Paying Agent in time for the Paying Agent to pay, Debt Service when due in same-day funds.

Redemption Account. A Redemption Account is established with the Trustee and money shall be deposited therein as provided in the Indenture. The money and investments in such Account shall be held in trust and, except as otherwise specified, shall be applied by the Trustee to the redemption of Bonds and Notes. Upon direction by Officer's Certificate of the Authority, the Trustee shall apply money in the Redemption Account to the purchase of Bonds and Notes for cancellation at prices not exceeding (unless so directed by Officer's Certificate of the Authority) the price at which they are then redeemable (or next redeemable if they are not then redeemable), but not with money required to pay Bonds or Notes for which notice of redemption has been given. Accrued interest on the purchase of Bonds and Notes may be paid from the Bond Account (if so payable under the Indenture) or as directed by Officer's Certificate of the Authority.

When money in the Redemption Account is to be applied to the redemption of Notes or Bonds, the Trustee shall pay, or transfer such money to a Paying Agent in time for the Paying Agent to pay, such Notes or Bonds when due in same-day funds.

If on any date the amount in the Bond Account is less than the amount then required to be applied to pay Debt Service then due, the Trustee shall apply the amount in the Redemption Account (other than any sum irrevocably set aside for particular Notes or Bonds no longer Outstanding) to the extent necessary to meet the deficiency.

Redemption of the Bonds and Notes. The Authority may redeem Bonds and Notes at its option in accordance with their terms and shall redeem Bonds and Notes in accordance with their terms pursuant to any mandatory redemption ("sinking fund") requirements established by Supplemental Indenture. When Bonds or Notes are called for redemption, the accrued interest thereon shall become due on the redemption date. To the extent not otherwise provided, the Authority shall deposit with the Trustee on or prior to the redemption date a sufficient sum to pay principal, redemption premium, and accrued interest.

Unless otherwise specified by Supplemental Indenture, there shall, at the option of the Authority, be applied to or credited against any sinking fund requirement the principal amount of any such Bonds that have been defeased, purchased or redeemed and not previously so applied or credited.

When Bonds or Notes are to be redeemed prior to maturity, the Trustee shall give notice in the name of the Authority, which notice shall identify the Bonds or Notes to be redeemed, state the date fixed for redemption and state that such Bonds or Notes will be redeemed at the corporate trust office of the Trustee or a Paying Agent. The notice shall further state that on such date there shall become due and payable upon each Bond or Note to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that money therefor having been deposited with the Trustee or Paying Agent, from and after such date, interest thereon shall cease to accrue. The Trustee shall give 30 days' notice by mail, or otherwise transmit the redemption notice in accordance with the applicable Supplemental Indenture, to the registered owners of any Bonds or Notes which are to be redeemed, at their addresses shown on the registration books of the Authority. Such notice may be waived by any Holder of Bonds or Notes to be redeemed. Failure by a particular Holder to receive notice, or any defect in the notice to such Holder, shall not affect the redemption of any other Bond or Note.

Investments. Pending its use, money in the Accounts may be invested by the Trustee in Eligible Investments maturing or redeemable at the option of the holder at or before the time when such money is expected to be needed and shall be so invested pursuant to written direction of the Authority if there is not

then an Event of Default known to the Trustee. Investments shall be held by the Trustee in the respective Accounts and shall be sold or redeemed to the extent necessary to make payments or transfers from each Account.

Except as otherwise specified, any interest realized on investments in any Account and any profit realized upon the sale or other disposition thereof shall be credited to the Collection Account.

The Trustee may hold undivided interests in Eligible Investments for more than one Account (for which they are eligible) and may make interfund transfers in kind.

If any money is invested under the Indenture and a loss results therefrom so that there are insufficient funds to pay Debt Service or to redeem Bonds or Notes called for redemption, then the deficiency shall be timely filled from Revenues (as Debt Service if so payable under the Indenture).

Unclaimed Money. Except as may otherwise be required by applicable law, in case any money deposited with the Trustee or a Paying Agent for the payment of the principal of, or interest or premium, if any, on any Bond or Note remain unclaimed for two years after such principal, interest or premium has become due and payable, the Fiduciary may and upon receipt of a written request of the Authority will pay over to the Authority the amount so deposited and the owner of such Bond or Note shall be entitled (subject to any applicable statute of limitations) to look only to the Authority as an unsecured creditor for the payment thereof.

Contract; Obligations to Beneficiaries. In consideration of the purchase and acceptance of any or all of the Bonds and Notes and ancillary and swap contracts by those who shall hold the same from time to time, the provisions of the Indenture shall be a part of the contract of the Authority with the Beneficiaries, and shall be deemed to be and shall constitute contracts among the Authority, the Trustee, the County to the extent specified in the Agreement, the Beneficiaries from time to time and, to the extent specified in the Act, the State. The pledge made in the Indenture and the covenants set forth to be performed by the Authority, the County and the State shall be for the equal benefit, protection and security of the Beneficiaries of the same priority. All of the Bonds or Notes or ancillary or swap contracts of the same priority, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any thereof over any other except as expressly provided pursuant to the Indenture and the Act.

The Authority shall pay when due all sums payable on the Bonds and Notes, from the Revenues and money designated in the Indenture, subject only to (i) the Act and the Indenture, and (ii) to the extent permitted by the Act and the Indenture, (x) agreements with Holders of Bonds and Notes pledging particular collateral for the payment thereof and (y) the rights of Beneficiaries under ancillary and swap contracts. The obligation of the Authority to pay principal, interest and redemption premium, if any, to the Holders of Bonds and Notes shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to setoff, recoupment or counterclaim. The Authority shall also pay its operating expenses.

Enforcement. The Authority shall enforce or cause the Trustee to enforce by appropriate legal proceedings, each covenant, pledge or agreement made by the County or the State in the Indenture or in or pursuant to the Act for the benefit of any of the Beneficiaries.

Tax Covenant. The Authority shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on Tax-Exempt Bonds and Tax-Exempt Notes shall be excludable from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code; and no funds of the Authority shall at any time be used directly or

indirectly to acquire securities or obligations the acquisition or holding of which would cause any Tax-Exempt Bond or Tax-Exempt Note to be an arbitrage bond as defined in such Code and any applicable Regulations issued thereunder. If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, pay from the Bond Proceeds Fund or as an operating expense the amount, if any, required by the Code to be rebated thereto or paid as a related penalty.

Accounts and Reports. The Authority shall (1) cause to be kept books of account in which complete and accurate entries shall be made of its transactions relating to all funds and accounts under the Indenture, which books shall at all reasonable times be subject to the inspection of the County, the Trustee and the Holders of an aggregate of not less than 25% in principal amount of Bonds and Notes then Outstanding or their representatives duly authorized in writing; and

(2) keep in effect at all times by Officer's Certificate an accurate and current schedule of all Debt Service to be payable during the life of then Outstanding Bonds, Notes and Senior Agreements secured by the Bond Account, certifying for the purpose such estimates as may be necessary.

Ratings. Unless otherwise specified by Supplemental Indenture, the Authority shall pay such reasonable fees and provide such available information as may be necessary to obtain and keep in effect ratings on all the Senior Bonds from at least two nationally recognized statistical rating organizations.

No Other Business. The Authority shall not engage in any line of business not contemplated by the Act.

No Indebtedness or Funds of County. Except to the extent required by the Act, the Indenture does not constitute indebtedness of the County for purposes of Section 20.00 of the LFL or any constitutional or statutory limitation. The Authority's revenues, including the Revenues, are not funds of the County.

County Covenant. The Authority includes in the Indenture the County's pledge and agreement with the holders of any bonds, notes or other evidences of indebtedness of the Authority that the County will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such holders pursuant to the Act (including the ability to enforce the County's obligations under the Agreement), or in any way impair the rights and remedies of such holders or the security for such bonds, notes or other evidences of indebtedness until such bonds, notes or other evidences of indebtedness, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged. This County Covenant shall not be deemed to restrict any right the County may have to amend, modify or otherwise alter local laws, ordinances or resolutions imposing or relating to the Sales Tax Revenues or other taxes or fees or appropriations related to any such taxes or fees, so long as, after giving effect to such amendment, modification or other alteration, the amount of Sales Tax Revenues projected by the Authority to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration shall be not less than 200% of maximum annual debt service on all Authority bonds, notes and other evidences of indebtedness then outstanding.

State Covenant and Tax Contract. The Authority includes in the Indenture: (a) the State's pledge and agreement with the holders of outstanding bonds, notes or other evidences of indebtedness that the State will not limit, alter or impair the rights vested in the Authority by the Act to fulfill the terms of any agreements made with the holders (including the ability to enforce the County's obligations under the Agreement), or in any way impair the rights and remedies of such holders or the security for the bonds, notes or other evidences of indebtedness until such bonds, notes or other evidences of indebtedness,

together with the interest thereon, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged; (b) the further terms of Section 3658 of the Act to the effect that: nothing contained in this covenant or the Act shall be deemed to restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the Sales Tax Revenues and nothing in this covenant shall be deemed to obligate the State to make any additional payments or impose any taxes to satisfy the obligations of the Authority; and (c) the tax contract of the State in the Act.

Authority Acknowledgments. (a) The Authority acknowledges that the County's covenants and pledge and agreement for the benefit of the Holders and the State Covenant and Tax Contract constitute important security provisions of the Bonds and Notes, and to the fullest extent permitted by applicable Federal and State law, waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by the County, the State or any other person of, any such claim to the contrary.

(b) By acknowledging that the County's covenants and pledge and agreement for the benefit of the Holders and the State Covenant and Tax Contract constitute important security provisions of the Bonds and Notes, the Authority also acknowledges, to the fullest extent permitted by applicable Federal and State law, that, in the event of any failure or refusal by the County or the State to comply therewith, the Holders of the Bonds or Notes may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable Federal and State law, determined, in addition to any other remedy available at law or in equity, in the course of any action taken pursuant to the Indenture; and to the fullest extent permitted by applicable Federal and State law, the Authority waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by the County, the State or any other person of, any claim to the effect that no such monetary damages have been suffered.

(c) The Authority confirms that the acknowledgments and agreements summarized in paragraphs (a) and (b) above have been included as a result of negotiations with the underwriters of the initial Series of Bonds and may further acknowledge in any Supplemental Indenture if and the extent to which any provision of the Indenture has been amended, or any provision of such Supplemental Indenture has been included therein, as a result of the same or similar negotiations.

Rights and Duties of the Fiduciaries. The Fiduciaries shall not be required to monitor the financial condition of the Authority or the physical condition of any Project and, unless otherwise expressly provided, shall not have any responsibility with respect to reports, notices, certificates or other documents filed with them under the Indenture, except to make them available for inspection by Beneficiaries.

Upon a failure of the Authority to make a payment of Debt Service when due or a failure known to an Authorized Officer of the Trustee to make any other required payment within 7 days after the same becomes due and payable, the Trustee shall give written notice thereof to the Authority. The Trustee shall give notices of default when instructed to do so by the written direction of another Fiduciary or the owners of at least 25% in principal amount of the Outstanding Senior Bonds or with respect to the Indenture, if the Event of Default is actually known to an Authorized Officer. The Trustee shall proceed under the Indenture for the benefit of the Holders in accordance with the written directions of a Majority in Interest of the Outstanding Senior Bonds. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred.

Each Fiduciary shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. Each Fiduciary may rely conclusively on any notice, certificate or other document furnished to it under the Indenture and reasonably believed by it to be genuine. A Fiduciary shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under the Indenture or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or consent or other action by a Fiduciary is called for by the Indenture, the Fiduciary may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act.

Any fees, expenses, reimbursements or other charges which any Fiduciary may be entitled to receive from the Authority, if not otherwise paid, shall be a first lien upon (but only upon) any funds held by the Trustee for payment of operating expenses.

Paying Agents. The Authority designates the Trustee a Paying Agent. The Authority may appoint additional Paying Agents, generally or for specific purposes, may discharge a Paying Agent from time to time and may appoint a successor. The Authority shall designate a successor if the Trustee ceases to serve as Paying Agent. Each Paying Agent shall be a bank or trust company eligible under the Act, and unless otherwise provided by Supplemental Indenture shall have a capital and surplus of not less than \$50,000,000 and be registered as a transfer agent with the Securities and Exchange Commission. The Authority shall give notice of the appointment of a successor to the Trustee as Paying Agent in writing to each Beneficiary shown on the books of the Trustee. A Paying Agent may but need not be the same person as the Trustee. Unless otherwise provided by the Authority, the Trustee as Paying Agent shall act as Bond and Note registrar and transfer agent.

Resignation or Removal of the Trustee. The Trustee may resign on not less than 45 days' written notice to the Authority and the Holders. The Trustee will promptly certify to the Authority that it has given written notice to all Holders and such certificate will be conclusive evidence that such notice was given as required by the Indenture. The Trustee may be removed by written notice from the Authority (if not in default) or a Majority in Interest of the Outstanding Senior Bonds to the Trustee and the Authority. Such resignation or removal shall not take effect until a successor has been appointed.

Successor Fiduciaries. Any corporation or association which succeeds to the municipal corporate trust business of a Fiduciary as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights, powers and duties thereof under the Indenture, without any further act or conveyance.

In case a Fiduciary resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of a Fiduciary or of its property is appointed, or if a public officer takes charge or control of a Fiduciary, or of its property or affairs, then such Fiduciary shall with due care terminate its activities and a successor may, or in the case of the Trustee shall, be appointed by the Authority. If no appointment of a successor Trustee is made within 45 days after the giving of written notice of resignation or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Holder may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee shall be a trust company or a bank having the powers of a trust company, located in the State, having a capital and surplus of not less than \$50,000,000.

Fiduciaries for Notes and Subordinate Bonds. The Authority may by Supplemental Indenture provide for the appointment of a Fiduciary (which may be the Trustee) to represent the Holders of Notes or Subordinate Bonds, having powers and duties not inconsistent with the Indenture or the Act.

Action by Holder. Any request, authorization, direction, notice, consent, waiver or other action provided by the Indenture to be given or taken by Holders of Bonds or Notes may be contained in and evidenced by one or more writings of substantially the same tenor signed by the requisite number of Holders or their attorneys duly appointed in writing or by such electronic or other means as may be recognized pursuant to applicable law. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of the Indenture (except as otherwise therein expressly provided) if made in the following manner, but the Authority or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate or signature guarantee, which need not be acknowledged or verified, of an officer of a bank, trust company or securities dealer satisfactory to the Authority or to the Trustee; or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Holder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or secretary. Any action of the Owner of any Bond or Note shall be irrevocable and bind all future record and beneficial owners thereof.

Registered Owners. The enumeration of certain provisions applicable to DTC as Holder of immobilized Notes and Bonds shall not be construed in limitation of the rights of the Authority and each Fiduciary to rely upon the registration books in all circumstances and to treat the registered owners of Notes and Bonds as the owners thereof for all purposes not otherwise specifically provided for. Notwithstanding any other provisions of the Indenture, any payment to the registered owner of a Note or Bond shall satisfy the Authority's obligations thereon to the extent of such payment.

Events of Default; Default. "Event of Default" in the Indenture means any one of the events set forth below and "default" means any Event of Default without regard to any lapse of time or notice: (a) the Authority shall fail to pay when due any interest, principal or redemption premium on a Note or Bond; (b) the Authority shall fail to observe or perform any of its other agreements, covenants or obligations under the Indenture and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the Authority; (c) specified events of insolvency relating to the Authority; (d) the State shall (i) amend, alter, repeal or fail to comply with the State Covenant or its tax contract in the Act as in effect on the date of the Indenture or (ii) enact a moratorium or other similar law affecting the Bonds or Notes; and (e) the County shall fail to observe or perform any of its agreements, covenants or obligations under the Agreement that have been pledged for the benefit of the Holders and such failure is not remedied within 30 days after written notice thereof is given by the Trustee to the County and the Authority or by the Authority to the Trustee and the County.

Remedies of the Trustee. If an Event of Default occurs and is continuing: (1) the Trustee may, and upon written request of the Holders of 25% in principal amount of the Senior Bonds and Notes Outstanding shall, in its own name by action or proceeding in accordance with the Civil Practice Law and Rules of the State: (a) enforce all rights of the Holders and require the Authority or, to the extent permitted by law, the State or the County to carry out its agreements with the Holders and to perform its duties under the Act; (b) sue upon such Bonds and Notes; (c) require the Authority to account as if it were

the trustee of an express trust for the Holders of such Bonds and Notes; and (d) enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds and Notes; (2) the Trustee shall, in addition, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Act or incident to the general representation of Holders in the enforcement and protection of their rights; and (3) if such Event of Default is described in clause (a), and relates to a Bond or Note the payment of which constitutes Debt Service or is described in clause (c), the Trustee shall (a) give Written Notice thereof to the Authority, the Holders, the County Executive, the County Legislature, the County Comptroller, the Governor, the State Comptroller, the chair and ranking minority member of the Senate Finance Committee, and the chair and ranking minority member of the Assembly Ways and Means Committee and (b) if so directed by a Majority in Interest of the Senior Bonds, and having given 30 days' notice to the Authority, declare the principal amount of all Bonds and Notes to be, and the same shall become, due and payable.

Subordinate Note and Subordinate Bond Remedies. Subject to the prior application of the Accounts to pay Debt Service, the Indenture and to each applicable Supplemental Indenture, the Holders of Subordinate Notes or Subordinate Bonds, or a Fiduciary appointed for them, may enforce the provisions of the Indenture for their benefit by appropriate legal proceedings.

Individual Remedies. No one or more Holders shall by his or their action affect, disturb or prejudice the pledge created by the Indenture, or enforce any right under the Indenture, except in the manner therein provided; and all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided therein and for the equal benefit of all Holders of the same class; but nothing in the Indenture shall affect or impair the right of any Holder of any Bond or Note to enforce payment of the principal thereof, premium, if any, or interest thereon at and after the maturity thereof, or the obligation of the Authority to pay such principal, premium, if any, and interest on each of the Bonds and Notes to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Indenture and in the Bonds and Notes.

Venue. The venue of every action, suit or special proceeding against the Authority shall be laid in the County of Nassau, New York.

Waiver. If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences, by written notice to the Authority, and shall do so upon written instruction of the Holders of at least 25% in principal amount of the Outstanding Senior Bonds and Notes.

Application of Money. If available money in the Accounts is not sufficient on any day to pay all Debt Service, Subordinate Bonds and Subordinate Agreements then due or overdue, such money (subject to provisions theretofore made for the payment of Bonds or Notes no longer outstanding) shall be applied *first* to the Trustee's fees and other costs of collecting and applying the Revenues and administering the accounts, *second* to the payment of interest, including interest on overdue principal and interest, in the order in which the same became due (pro rata with respect to interest which became due at the same time), and if the amount available shall not be sufficient to pay in full any installment or installments of interest or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other; *third* to the payment of principal (including sinking fund installments) and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due), and if the amount available shall not be sufficient to pay in full all principal, premium or obligations with respect to Senior Agreements maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each item of Debt Service without priority or preference of any item over any other; and *fourth* to the payment to any Notes (to the extent

not paid as Debt Service), Subordinate Bonds and Subordinate Agreements then due and, if the amounts available are insufficient to pay in full all such subordinated payment obligations, then to the payment thereof ratably, without preference or priority of any such item over any other. For this purpose Debt Service on Senior Agreements shall be characterized in accordance with their financial terms and interest on overdue principal shall be treated as coming due on the first day of each month. Whenever money is to be applied pursuant to this section, such money shall be applied at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Upon the exercise of such discretion the Trustee shall fix the date (which shall be the first of a month unless it deems another date more suitable) upon which such application is to be made, and upon such date interest on the principal then provided for shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing, of any such date. When interest or a portion of the principal is to be paid on an overdue Bond or Note, the Trustee may require presentation of the Bond or Note for endorsement of the payment.

Supplements and Amendments. (A) The Indenture may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Officer of the Authority to (a) provide for earlier or greater deposits into the Bond Account, (b) subject any property to the lien of the Indenture, (c) add to the covenants and agreements of the Authority or surrender or limit any right or power of the Authority, (d) identify particular Notes or Bonds for purposes not inconsistent with the Indenture including credit or liquidity support, remarketing, serialization and defeasance, or (e) authorize Bonds or Notes of a Series and in connection therewith determine the matters referred to in the Indenture and any other things relative to such Bonds or Notes that are not prejudicial to the Holders, or to modify or rescind any such authorization or determination at any time prior to the first authentication and delivery of such Series of Bonds or Notes; or

(2) amended by the Authority and the Trustee (a) to cure any ambiguity or defect, (b) to add provisions that are not prejudicial to the Holders, (c) to adopt amendments that do not take effect unless and until (i) no Bonds or Notes Outstanding prior to the adoption of such amendment remain Outstanding or (ii) such amendment is consented to by the Holders of such Bonds or Notes in accordance with the Indenture, or (d) pursuant to paragraph (B) summarized below.

(B) Except as described in the foregoing paragraph (A), the Indenture may be amended (1) only with the written consent of a Majority in Interest of the Subordinate Bonds, Senior Bonds and Notes (acting as three separate classes) to be Outstanding at the effective date thereof and affected thereby; but (2) only with the unanimous written consent of the affected Holders for any of the following purposes: (a) to extend the maturity of any Bond or Note, (b) to reduce the principal amount or interest rate of any Bond or Note, (c) to make any Bond or Note redeemable other than in accordance with its terms, (d) to create a preference or priority of any Bond or Note over any other Bond or Note of the same class or (e) to reduce the percentage of the Bonds and Notes required to be represented by the Holders giving their consent to any amendment.

(C) Any amendment of the Indenture shall be accompanied by a Counsel's Opinion to the effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds and Tax-Exempt Notes from gross income for Federal income tax purposes.

Beneficiaries. The Indenture is not intended for the benefit of and shall not be construed to create rights in parties other than the Authority, the Fiduciaries, the Holders of Notes and Senior Bonds, and the other Beneficiaries to the extent specified therein.

Additional Provisions Relating to the Ambac Insurance Policies. In connection with obtaining the Financial Guaranty Insurance Policies (the “Ambac Insurance Policies”) issued by Ambac Assurance Corporation (“Ambac”) relating to the Series 2004A Bonds maturing in the years 2006 through 2013, inclusive, the Series 2004B through G ARS Bonds, the Series 2004H Bond maturing in 2008 in the principal amount of \$9,395,000 and the Series 2004H Bonds maturing in years 2009 through 2017, inclusive, respectively (collectively, the “Ambac Insured Bonds”), the Authority has adopted the following provisions, among others:

(a) Ambac’s consent shall be required in addition to Holder consent with respect to the Ambac Insured Bonds for any action which requires Holder consent, absent a default by Ambac under the respective Ambac Insurance Policy. In the event of any reorganization or liquidation of the Authority, Ambac shall have the right to vote on behalf of all Holders of the Ambac Insured Bonds, absent a default by Ambac under the respective Ambac Insurance Policy.

(b) In the event the principal and/or interest on the Ambac Insured Bonds shall be paid by Ambac pursuant to the respective Ambac Insurance Policy, the Ambac Insured Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge in the Indenture and all covenants, agreements and other obligations of the Authority to the Holders of the Ambac Insured Bonds shall continue to exist and shall run to the benefit of Ambac, and Ambac shall be subrogated to the rights of such Holders.

Additional Provisions Relating to the Surety Bond. In connection with obtaining the surety bond issued by Ambac guaranteeing certain payments into the Debt Service Liquidity Account with respect to the Bonds (the “Surety Bond”), the Authority has adopted the following provisions, among others:

(a) Ambac’s consent shall be required in addition to Holder consent with respect to the Bonds for any action which requires Holder consent, absent a default by Ambac under the Surety Bond.

(b) In the event and to the extent that moneys on deposit in the Bond Account, plus all amounts on deposit in and credited to the Debt Service Liquidity Account in excess of the amount of the Surety Bond, are insufficient to pay the amount of principal of and interest coming due, then upon the later of: (i) one (1) day after receipt by the General Counsel of Ambac of a demand for payment in the form attached to the Surety Bond as Attachment 1 (the “Demand for Payment”), duly executed by the Trustee and certifying that payment due under the Indenture has not been made to the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the General Counsel of Ambac, Ambac will make a deposit of funds in an account with the Trustee or its successor, in New York, New York, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee under the Indenture (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Surety Bond; provided, however, that in the event that the amount on deposit in, or credited to, the Debt Service Liquidity Account, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, other surety bond or other such funding instrument (the “Additional Funding Instrument”), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

(c) The Trustee shall, upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the Debt Service Liquidity Account to the extent of moneys received pursuant to such Demand.

(d) The Debt Service Liquidity Account shall be replenished in the following priority: (i) principal and interest on the Surety Bond shall be paid from first available Revenues and any Additional

Funding Instrument shall be paid from first available Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Liquidity Account to the Debt Service Liquidity Account Requirement, after taking into account the amounts available under the Surety Bond and any Additional Funding shall be deposited from next available Revenues.

THE AGREEMENT

County's Further Assurances. Pursuant to the Act, the County acknowledges the State's grant to the Authority and the Authority's pledge and assignment to the Trustee of, and disclaims ownership of, all subject to the terms of the Act: the County's right, title and interest in and to the Sales Tax Revenues, and all rights to receive the same and the proceeds thereof; and the County will protect and defend the Trustee's title to assets thereto.

Separate Accounts and Records. The Authority and the County represent and covenant, each for itself, that: (a) Each of them will maintain its books, financial records and accounts (including, without limitation, inter-entity transaction accounts) in a manner so as to identify separately the assets and liabilities of each such entity; each has observed and will observe all applicable corporate procedures and formalities, including, where applicable, the holding of regular periodic and special meetings of governing bodies, the recording and maintenance of minutes of such meetings, and the recording and maintenance of resolutions, if any, adopted at such meetings; and all transactions and agreements between and among the Authority, the County and the Trustee have reflected and will reflect the separate legal existence of each entity and have been and will be formally documented in writing; and (b) Neither the Authority nor the County has commingled or will commingle any of its assets, funds or liabilities with the assets, funds or liabilities of any other person or entity. Each of them has conducted and will conduct all business between itself and third parties in its own name and separate and distinct from the other.

Bond Proceeds Fund. A Bond Proceeds Fund is established to be held by the Trustee in trust for the benefit of the Authority and the County. The Beneficiaries shall have no interest in the Bond Proceeds Fund or any amounts from time to time on deposit in it. Money shall be deposited therein as provided in the Indenture. The money and investments in the Bond Proceeds Fund shall be applied at the direction of the Authority as described below.

The Trustee shall pay from the Bond Proceeds Fund the Costs of Issuance that are approved by the Authority, and except as otherwise directed by the Authority in accordance with this Agreement, disburse funds to the County upon receipt of a Requisition to finance, by payment or reimbursement, of Financeable Costs to the extent set forth in the related Declaration of Need or as otherwise approved by the Authority. When all Costs of Issuance and other Financeable Costs have been paid or reimbursed, as evidenced by Officer's Certificates of the Authority and the County, any excess in the Bond Proceeds Fund shall promptly be paid to the Trustee for deposit in the Redemption Account.

The Authority shall develop, and may from time to time modify, procedures for the disbursement, of money to the County from the Bond Proceeds Fund, upon terms, conditions and documentation providing for compliance with the Act, the provisions of the related Arbitrage and Use of Proceeds Certificate, the Agreement, the Indenture, and the advice of Counsel as to the application of proceeds of Tax-Exempt Notes and Tax-Exempt Bonds. The County shall apply Note and Bond proceeds made available to it only to pay such Financeable Costs as have been included in a Declaration of Need previously approved by the Authority and for which a Requisition in proper form has been submitted. The County shall apply such proceeds to pay such Financeable Costs under contracts awarded by the County or to make a contribution of such proceeds as County funds to another entity for the payment or reimbursement of such Financeable Costs.

To the extent provided in any applicable Supplemental Indenture, the Trustee shall, upon the direction of the Authority, pay from the Bond Proceeds Fund amounts necessary to accomplish any restructuring or refunding of the County's or the Authority's debt, as applicable, into a separate account or fund for investment in appropriate defeasance securities as provided in a Supplemental Indenture.

Money in the Bond Proceeds Fund shall be invested and reinvested at the direction of the Authority in accordance with the Act and the Indenture, consistent with the related Arbitrage and Use of Proceeds Certificate. Earnings thereon shall be transferred to the Collection Account as Revenues.

Indemnity. To the extent permitted by law, the County shall indemnify the Authority and hold it harmless against any claim, demand, action, liability, damages, cost, loss or expense (including legal fees and disbursements) that the Authority incurs arising out of or in relation to any capital project of the County or the financing of any Financeable Cost by the Authority.

Limited Purpose of Agreement. The Agreement provides for the Authority's financing of Financeable Costs. Except as specified in the Agreement, the Authority, the County, and the Trustee shall have no liability to each other or to the Beneficiaries of the Indenture for the construction, reconstruction, acquisition, installation, physical condition, ownership or operation of any capital project of the County or arising out of the status of any such capital project under the State Environmental Quality Review Act or otherwise. Whether to undertake any financing, as well as the specific Financeable Costs to be paid or reimbursed by the Authority, shall be determined by the Authority, in its sole discretion, upon the request of the County as evidenced by submission to the Authority by the County of a Declaration of Need.

Covenants of the County. The County covenants with the Authority, and consents to the pledge and assignment to the Trustee of any of its covenants, that:

(A) The County will at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on Tax-Exempt Bonds and Tax-Exempt Notes shall be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code; and shall execute and deliver to the Authority an Arbitrage and Use of Proceeds Certificate, as requested by the Authority or Counsel to the Authority and shall comply with the terms thereof; and no funds of the County shall at any time be used directly or indirectly to acquire securities or obligations the acquisition or holding of which would cause any Tax-Exempt Bond or Tax-Exempt Note to be an arbitrage bond as defined in the Code and any applicable Regulations issued thereunder.

(B) The County in its papers and in the statements of its officials has referred and will refer to the Authority as a separate and distinct legal entity; and the County will take no action that is inconsistent with the Agreement and that would give any creditor of the County cause to believe either that any such obligations incurred by the County would be not only the obligation of the County, but also of the Authority, or that the County were not or would not continue to remain an entity separate and distinct from the Authority.

(C) An Authorized Officer of the County shall, not less than 60 days prior to the beginning of each County fiscal year, and as often as such Authorized Officer deems necessary but at least monthly thereafter, certify to the Authority and the Trustee the County's estimated projection of Sales Tax Revenues payable to the Authority each month during such fiscal year.

(D) The County will not exercise any right it may have to amend, modify or otherwise alter local laws imposing or relating to the Sales Tax Revenues without first requesting in writing the Authority to make the projection of Sales Tax Revenues required by the Agreement and

confirming with the Authority that such exercise will not violate the County covenant contained therein and in the Act. The foregoing is not intended to limit the right of the County to adopt one or more local laws or ordinances imposing or extending the imposition of sales and use taxes.

(E) The County will at all times do and perform all acts and things permitted by law and necessary or desirable to maintain compliance with its undertakings hereunder and in connection with any financing by the Authority, including, cooperating with the Authority, its employees, consultants and underwriters, and in providing certifications and opinions requested by the Authority, and, further, providing all material disclosure for any Offering Circular of the Authority or in connection with any necessary undertaking under Securities and Exchange Commission (“SEC”) Rule 15c2-12 to allow the underwriters of Authority financings to meet their obligations thereunder and under SEC Rule 10b-5.

(F) The County will comply, and will take all reasonable efforts in its power to cause any “covered organization”, as such term is defined in the Act, to comply with the provisions of the Act.

(G) Except to the extent expressly identified in any such Declaration of Need, the County will not make any Declaration of Need or submit any Requisition except with respect to Financeable Costs that could be financed by the County by the issuance of its bonds or notes as of the date of such Declaration of Need or Requisition, there being in effect with respect to each capital project constituting such a Financeable Cost (i) findings or other proceedings meeting the requirements of the State Environmental Quality Review Act and (ii) all proceedings necessary under the County Charter and all other applicable State law necessary to authorize the appropriation and expenditure of County funds for such purposes, and each Declaration of Need and Requisition shall be deemed to be a representation by the County to such effect with respect to the Financeable Costs that are the subject thereof. The County shall provide to the Authority such documentation and information as requested, and in the form requested, by the Authority from time to time in connection with Financeable Costs proposed for financing.

Statutory Pledge and Agreement (“County Covenant”). The County pledges and agrees with the Holders of the Outstanding Bonds and Notes that the County will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such Holders pursuant to the Act, or in any way impair the rights and remedies of such Holders or the security for such Bonds and Notes until such Bonds and Notes, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully paid and discharged. This paragraph shall not be deemed to restrict any right the County may have to amend, modify or otherwise alter local laws imposing or relating to the Sales Tax Revenues so long as, after giving effect to such amendment, modification or other alteration, the amount of Sales Tax Revenues projected by the Authority to be available to the Authority during each of its fiscal years following the effective date of such amendment, modification or other alteration shall be not less than 200% of maximum annual debt service on all bonds, notes and other evidences of indebtedness then outstanding. Nothing in the Act or the Agreement shall be deemed to obligate the County to make additional payments or impose taxes other than those imposed pursuant to the authority of paragraph one of subdivision (a) of Section 1210 of the Tax Law of the State to satisfy the debt service obligations of the Authority.

Statutory Requirement. To the extent required by the Act, the County agrees that it shall require every contract entered into by the County, or entered into by any other entity receiving funds from the County, for projects or costs to be financed in whole or in part by the Authority to be subject to the provisions of the County Charter and other applicable laws governing contracts of the County or such entity, as the case may be.

Transfers to County; Issuance of Bonds or Notes. Subject to the provisions of the Act and the Agreement, all money received by the Authority which, together with other money available for the purposes of the Indenture, exceeds the amount determined by the Authority to be necessary for such purposes shall be transferred to the order of the County as frequently as practicable. The County acknowledges that any decision by the Authority to either (i) issue or incur its Bonds, Notes or other evidences of indebtedness from time to time, or (ii) withhold from the County or transfer to the County “transitional state aid” as such term is defined in the Act, is in the sole discretion of the Authority consistent with the Act and the Indenture.

County Acknowledgments. (a) The County acknowledges that the sections entitled “Covenants of the County” and “Statutory Pledge and Agreement” above constitute important security provisions of the Bonds and Notes, and to the fullest extent permitted by applicable Federal and State law, waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support any assertion of, any claim to the contrary.

(b) By acknowledging that its covenants and pledge and agreement for the benefit of the Holders constitute important security provisions of the Bonds and Notes, the County also acknowledges, to the fullest extent permitted by applicable Federal and State law, that, in the event of any failure or refusal by the County to comply therewith, the Holders of the Bonds or Notes may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable Federal and State law, determined, in addition to any other remedy available at law or in equity, in the course of any action taken pursuant to the Agreement; and to the fullest extent permitted by applicable Federal and State law, the County waives any right to assert any claim to the contrary and agrees that it will neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support any assertion of, any claim to the effect that no such monetary damages have been suffered.

(c) The County further acknowledges that the acknowledgments and agreements described in paragraphs (a) and (b) above have been included as a result of negotiations with the underwriters of the Authority’s initial series of bonds and may further acknowledge if and the extent to which any provision of the Agreement has been amended, or any provision of a Supplemental Indenture has been included therein, as a result of the same or similar negotiations.

Remedies. If the County shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed, the Authority shall, if such default has not been cured, have the right (i) to institute any action at law or in equity deemed by the Authority to be necessary or desirable to collect any amounts then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the County under the Agreement and (ii) to withhold disbursement of any amounts from the Bond Proceeds Fund other than amounts set aside for the payment of County bonds or notes. At its election, the Authority may withhold any amounts adjudged or decreed payable to it from the Revenues as an Operating Expense.

Amendment. (A) The Agreement may be (1) supplemented by delivery to the Trustee of an instrument certified by an Authorized Officer of the Authority and executed or approved by the County to the extent required by the Agreement and the Act, to add to the covenants and agreements of the County or the Authority for the benefit of the Holders or surrender or limit for the benefit of the Holders any right or power of the County or the Authority; or (2) amended by the parties with notice to the Trustee but without Bondholder or Noteholder consent to (a) cure any ambiguity or defect, (b) change any provision of the Agreement that is not pledged to the Trustee pursuant to the Indenture, or (c) add provisions that are not prejudicial to the Holders of the Bonds and Notes, including provisions that do not take effect unless and until (i) no Bonds or Notes Outstanding prior to the adoption of such amendment remain

Outstanding or (ii) such amendment is consented to by Holders in accordance with the provisions of the Agreement.

(B) Except as described in the foregoing paragraph (A), the Agreement may be amended only by the County and the Authority with the written consent of a Majority in Interest of the Subordinate Bonds, Senior Bonds and Notes (acting as three separate classes) Outstanding at the effective date thereof and affected thereby; but only with the unanimous written consent of the affected Holders to reduce the percentage of the Bonds and Notes required to be represented by the Holders giving their consent to any amendment.

(C) Any amendment of the Agreement shall be accompanied by a Counsel's Opinion to the effect that the amendment is permitted by law and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds and Tax-Exempt Notes from gross income for federal income tax purposes.

Beneficiaries. The Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the County, the Authority, and to the extent specified in the Agreement and the Indenture, the Holders of Notes and Senior Bonds and the other Beneficiaries.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C
ARS PROVISIONS

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

ARS PROVISIONS

Definitions

In addition to the words and terms elsewhere defined in this Offering Circular, the following words and terms as used in this Appendix C and elsewhere in this Offering Circular have the following meanings with respect to the Series 2004I, J and K ARS Bonds in an ARS Rate Period unless the context or use indicates another or different meaning or intent:

“AA Financial Commercial Paper Rate” means, on any date of determination, (a) for Auction Periods of 35 day or less, the interest equivalent of commercial paper having a maturity of 30 days, (b) for Auction Periods greater than 35 days and less than 75 days, the interest equivalent of commercial paper having a maturity of 60 days, (c) for Auction Periods greater than 75 days and less than 105 days, the interest equivalent of commercial paper having a maturity of 90 days; as each such rate is published on the Business Day prior to such date by the Board of Governors of the Federal Reserve System on its World Wide Web site <http://www.federalreserve.gov/release/cp/histrates.txt>, or any successor publication (“H.15(519)”) under the caption “AA financial.” In the event that such publication has not been published in a timely manner, the “AA” Financial Commercial Paper Rate shall be calculated by Goldman, Sachs & Co. for the Series 2004I Bonds, by Morgan Stanley for the Series 2004J Bonds and by UBS Financial Services Inc. for the Series 2004K Bonds (or any other Broker-Dealer designated by the Authority in writing to the Trustee and the Auction Agent), and shall be the bond equivalent yield of the arithmetic mean of the offered rates as of 11:00 A.M., New York City time, on the determination date of three leading dealers of U.S. dollar commercial paper in New York City (which may include any Broker-Dealer) selected by Goldman, Sachs & Co. for the Series 2004I Bonds, by UBS Financial Services Inc. for the Series 2004J Bonds and by Morgan Stanley for the Series 2004K Bonds (or any other Broker-Dealer designated by the Authority in writing to the Auction Agent and the Trustee), for U.S. dollar commercial paper having a maturity of 30, 60 or 90 days, as applicable, placed for financial issuers whose bond rating is “AA” or the equivalent, from a nationally recognized securities rating agency; provided, however, that if the dealers selected as aforesaid by such Broker-Dealer are not quoting as mentioned in this sentence (and if the Auction Agent, in its discretion, determines that such quotations can not be obtained from any three leading dealers of U.S. dollar commercial paper in New York City) such rate shall be the same rate as in effect for the immediately preceding Auction Period. For purposes of this definition, the “interest equivalent” of a rate stated on a discount basis (a “discount rate”) for commercial paper of a given day’s maturity shall be equal to the product of (A) 100 times (B) the discount rate times (C) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) and (x) the applicable number of days in a year (365 or 366) divided by (y) the difference between (1) 360 and (2) the product of the discount rate (expressed in decimals) times the applicable number of days in which such commercial paper matures.

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

“After-Tax Equivalent Rate” means, on any date of determination, the interest rate per annum equal to the product of:

- (a) the “AA” Financial Commercial Paper Rate on such date; and
- (b) 1.00 minus the Statutory Corporate Tax Rate on such date.

“All Hold Rate” means, on any date of determination, the interest rate per annum equal to 90% of the lesser on such date of:

- (a) the After-Tax Equivalent Rate on such date; or
- (b) the ARS Index on such date;

rounded to the nearest one thousandth (.001) of 1%; provided that in no event shall the All Hold Rate be more than the Maximum Interest Rate or less than zero.

“ARS” means the Series 2004I, J and K ARS Bonds while they bear interest at the ARS Rate.

“ARS Index” has the meaning specified under “ARS Index” of this Appendix C.

“ARS Rate” means for each series of the Series 2004I, J and K ARS Bonds, the rate of interest to be borne by the Bonds of such series during each Auction Period determined in accordance with the Indenture as summarized under “Determination of ARS Rate” of this Appendix C; provided, however, in no event may the ARS Rate exceed the Maximum Interest Rate.

“ARS Rate Conversion Date” means with respect to any series of the Series 2004I, J and K ARS Bonds, the date on which the Bonds of such series convert from an interest rate period other than an ARS Rate Period and begin to bear interest at an ARS Rate.

“ARS Rate Period” means after the Initial Period any period of time commencing on the day following the Initial Period to but not including a Conversion Date and the period from and including a ARS Rate Conversion Date to but excluding the next Conversion Date.

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

“Auction Agent” means the auctioneer appointed in accordance with the provisions of the Indenture and will initially be The Bank of New York.

“Auction Agreement” means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in the Indenture, with respect to the Series 2004I, J and K ARS Bonds while bearing interest at an ARS Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means, with respect to any series of the Series 2004I, J and K ARS Bonds, (a) if the Series 2004I, J and K ARS Bonds are in a daily Auction Period, each Business Day, (b) if the Series 2004I, J and K ARS Bonds are in a Special Auction Period, the last Business Day of the Special Auction Period, and (c) if the Series 2004I, J and K ARS Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Series 2004I, J and K ARS Bonds (whether or not an Auction will be conducted on such date); provided, however, that the last Auction Date with respect to a series of Series 2004I, J and K ARS Bonds in an Auction Period other than a daily Auction Period or a Special Auction Period will be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Series 2004I, J and K ARS Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Series 2004I, J and K ARS Bonds; and provided, further, that if the Series 2004I, J and K ARS Bonds are in a daily Auction Period, the last Auction Date will be the earlier of (x) the Business Day next preceding the Conversion Date for the Series 2004I, J and K ARS Bonds and (y) the Business Day next preceding the final maturity date for the Series 2004I, J and K ARS Bonds. The last Business Day of a

Special Auction Period will 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 will be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Series 2004I Bonds is December 14, 2004, for the Series 2004J Bonds is December 14, 2004 and for the Series 2004K Bonds is December 14, 2004.

“Auction Period” means with respect to each series of ARS Bonds:

- (a) a Special Auction Period;
- (b) with respect to a series of ARS Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day;
- (c) with respect to a series of ARS Bonds in a seven day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally seven days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the Sunday thereafter (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), (ii) Mondays, a period of generally seven days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally seven days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally seven days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);
- (d) with respect to a series of ARS Bonds in a 28-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 28 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the fourth Sunday thereafter (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), (ii) Mondays, a period of generally 28 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 28 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally

28 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(e) with respect to a series of ARS Bonds in a 35-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 35 days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Sunday) and ending on the fifth Sunday thereafter (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), (ii) Mondays, a period of generally 35 days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Monday) and ending on the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally 35 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 35 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Wednesday) and ending on the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally 35 days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on Thursday) and ending on the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(f) with respect to a series of ARS 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

(g) with respect to a series of ARS 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 May 14 or November 14;

provided, however, that

(a) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Fridays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding 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), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will 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;

(b) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Mondays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Monday (unless such Monday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Monday (unless such Monday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on Monday (unless such Monday 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;

(c) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Tuesdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Tuesday (unless such Tuesday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Tuesday (unless such Tuesday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on Tuesday (unless such Tuesday 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;

(d) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Wednesdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Wednesday (unless such Wednesday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Wednesday (unless such Wednesday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on Wednesday (unless such Wednesday 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; and

(e) if there is a conversion of a series of ARS Bonds with Auctions generally conducted on Thursdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period will

begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Thursday (unless such Thursday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Thursday (unless such Thursday 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 will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on Thursday (unless such Thursday 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.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Interest Rate because Sufficient Clearing Bids do not exist, the Auction Rate shall automatically change to a seven-day Auction Period.

“Auction Procedures” means the procedures for conducting Auctions for the Series 2004I, J and K ARS Bonds during an ARS Rate Period set forth in the Indenture and summarized in this Appendix C.

“Auction Rate” means for each series of the Series 2004I, J and K ARS Bonds for each Auction Period, (a) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of such Series 2004I, J and K ARS Bonds are the subject of Submitted Hold Orders, the All Hold Rate with respect to such Series 2004I, J and K ARS and (b) if Sufficient Clearing Bids do not exist, the Maximum Interest Rate with respect to such Series 2004I, J and K ARS Bonds.

“Available Bonds” means for each series of the Series 2004I, J and K ARS Bonds on each Auction Date, the aggregate principal amount of the Series 2004I, J and K ARS Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of “Orders by Existing Owners and Potential Owners” of this Appendix C.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in the Indenture that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Authority, with the consent of Goldman, Sachs & Co. with respect to the Series 2004I Bonds, UBS Financial Services Inc. with respect to the Series 2004J Bonds and Morgan Stanley with respect to the Series 2004K Bonds, so long as Goldman, Sachs & Co., UBS Financial Securities Inc. and Morgan Stanley are Broker-Dealers for such Series 2004I, J and K ARS Bonds, and that are parties to Broker-Dealer Agreements with the Auction Agent.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the Authority and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in the Indenture, as such agreement may from time to time be amended or supplemented.

“Code” means the Internal Revenue Code of 1986, as amended.

“Conversion Date” means the date on which a series of the Series 2004I, J and K ARS Bonds convert from one interest rate period to another interest rate period.

“Existing Owner” means a Person who is listed as the beneficial owner of the Series 2004I, J and K ARS Bonds in the records of the Auction Agent; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

“Hold Order” has the meaning specified in subsection (a) of “Orders by Existing Owners and Potential Owners” of this Appendix C.

“Initial Period” means the period from the Closing Date to but not including December 15, 2004 for the Series 2004I Bonds, December 15, 2004 for the Series 2004J Bonds and December 15, 2004 for the Series 2004K Bonds.

“Interest Payment Date” with respect to each series of the Series 2004I, J and K ARS Bonds bearing interest at ARS Rates, means December 15, 2004 for the Series 2004I Bonds, December 15, 2004 for the Series 2004J Bonds and December 15, 2004 for the Series 2004K Bonds and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Special Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Special Auction Period, or (ii) more than 182 days, each May 15 and November 15 and on a Business Day immediately following such Special Auction Period.

“Maximum Interest Rate” means the lesser of fifteen percent (15%) or the maximum rate permitted by applicable law.

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

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Series 2004I, J and K ARS Bonds in addition to the Series 2004I, J and K ARS Bonds currently owned by such Person, if any.

“Principal Office” means, with respect to the Auction Agent, the office thereof designated in writing to the Authority, the Trustee and each Broker-Dealer.

“Securities Depository” means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Authority which agrees to follow the procedures required to be followed by such securities depository in connection with the Series 2004I, J and K ARS Bonds.

“Sell Order” has the meaning specified in “Orders by Existing Owners and Potential Owners” of this Appendix C.

“Special Auction Period” means, with respect to a series of ARS Bonds, (a) any period of 182 days or less which is divisible by seven and begins on an Interest Payment Date and ends (i) in the case of a series of ARS Bonds with Auctions generally conducted on Fridays, 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, (ii) in the case of a series of ARS Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a series of ARS Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a series of ARS Bonds with Auctions generally conducted on Wednesdays, on a Wednesday

unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a series of ARS Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or (b) any period which is longer than 182 days, which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such series of ARS Bonds.

“Statutory Corporate Tax Rate” means, as of any date of determination the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in section 11 of the Code or any successor section without regard to any minimum additional tax provision or provisions, regarding changes in the rates during a taxable year.

“Submission Deadline” means 1:00 p.m., New York City time, on each Auction Date for a series of the Series 2004I, J and K ARS Bonds not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date for a series of Series 2004I, J and K ARS Bonds in a daily Auction Period, or such other time on such date as will 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.

“Submitted Bid” has the meaning specified in “Determination of ARS Rate” of this Appendix C.

“Submitted Hold Order” has the meaning specified in “Determination of ARS Rate” of this Appendix C.

“Submitted Order” has the meaning specified in “Determination of ARS Rate” of this Appendix C.

“Submitted Sell Order” has the meaning specified in “Determination of ARS Rate” of this Appendix C.

“Sufficient Clearing Bids” means with respect to a series of the Series 2004I, J and K ARS Bonds, an Auction for which the aggregate principal amount of the Series 2004I, J and K ARS Bonds of such series that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Interest Rate is not less than the aggregate principal amount of the Series 2004I, J and K ARS Bonds of such series that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Interest Rate.

“Winning Bid Rate” means with respect to a series of the Series 2004I, J and K ARS Bonds the lowest rate specified in any Submitted Bid for such series which if selected by the Auction Agent as the ARS Rate would cause the aggregate principal amount of the Series 2004I, J and K ARS Bonds of such series that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds of such series.

Auction Procedures

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 will be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of the Series 2004I, J and K ARS 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 Series 2004I, J and K ARS 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 will 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 will be less than the rate per annum then specified by such Existing Owner); and/or

(C) the principal amount of the Series 2004I, J and K ARS 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.

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Series 2004I, J and K ARS Bonds, the Broker-Dealers will contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of the Series 2004I, J and K ARS 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 will constitute an irrevocable offer to sell:

(A) the principal amount of the Series 2004I, J and K ARS Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of the Series 2004I, J and K ARS Bonds to be determined as described in subsection (a)(v) of the section below entitled “Allocation of Series 2004I, J and K ARS Bonds” if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate; or

(C) a lesser principal amount of the Series 2004I, J and K ARS Bonds to be determined as described in subsection (b)(iv) of the section below entitled “Allocation of Series 2004I, J and K ARS Bonds” if such specified rate will be higher than the Maximum Interest Rate and Sufficient Clearing Bids do not exist.

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

(A) the principal amount of the Series 2004I, J and K ARS Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of the Series 2004I, J and K ARS Bonds as described in subsection (b)(iv) of the section below entitled “Allocation of Series 2004I, J and K ARS Bonds” if Sufficient Clearing Bids do not exist.

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

(A) the principal amount of the Series 2004I, J and K ARS Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of the Series 2004I, J and K ARS Bonds as described in subsection (a)(vi) of the section below entitled “Allocation of Series 2004I, J and K ARS Bonds” if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies the Series 2004I, J and K ARS Bonds to be held, purchased or sold in a principal amount which is not \$25,000 or an integral multiple thereof will be rounded down to the nearest \$25,000, and the Auction Agent will 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 Series 2004I, J and K ARS Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction will be invalid with respect to such portion and the Auction Agent will conduct the Auction Procedures as if such portion of such Order had not been submitted; and

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Series 2004I, J and K ARS Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction will be included in the calculation of Available Bonds for such Auction.

Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer will submit to the Auction Agent in writing or by such other method as will 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 the Series 2004I, J and K ARS Bonds of each series, 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 the Series 2004I, J and K ARS Bonds of each series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of the Series 2004I, J and K ARS Bonds of each series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of the Series 2004I, J and K ARS Bonds of each series, 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 will 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 Series 2004I, J and K ARS Bonds of a particular series held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of the Series 2004I, J and K ARS Bonds of such series held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that 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 the Series 2004I, J and K ARS Bonds of the series to be converted held by such Existing Owner, the Auction Agent will deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of the Series 2004I, J and K ARS Bonds of such series 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 Series 2004I, J and K ARS Bonds of a series held by any Existing Owner are submitted to the Auction Agent, such Orders will be considered valid as follows:

(i) all Hold Orders will be considered Hold Orders, but only up to and including in the aggregate the principal amount of the Series 2004I, J and K ARS Bonds of such series held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner will be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of the Series 2004I, J and K ARS Bonds of such series held by such Existing Owner over the principal amount of the Series 2004I, J and K ARS Bonds of such series 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 will be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of the Series 2004I, J and K ARS Bonds of such series held by such Existing Owner over the principal amount of the Series 2004I, J and K ARS Bonds of such series 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 will 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 the Series 2004I, J and K ARS Bonds of such series held by such Existing Owner over the principal amount of the Series 2004I, J and K ARS Bonds of such series held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Series 2004I, J and K ARS Bonds of such series subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) will be treated as the subject of a Bid by a Potential Owner.

(iii) all Sell Orders will be considered Sell Orders, but only up to and including a principal amount of the Series 2004I, J and K ARS Bonds of such series equal to the excess of the principal amount of the Series 2004I, J and K ARS Bonds of such series held by such Existing Owner over the sum of the principal amount of the Series 2004I, J and K ARS Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of the Series 2004I, J and K ARS Bonds of such series 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 will be aggregated and considered a single Bid and each Bid submitted with a different rate will be considered a separate Bid with the rate and the principal amount of the Series 2004I, J and K ARS Bonds specified therein.

(f) Neither the Authority, the Trustee nor the Auction Agent will 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 ARS Rate.

(a) Not later than 9:30 a.m., New York City time, on each Auction Date for each series of the Series 2004I, J and K ARS Bonds, the Auction Agent will advise the Broker-Dealers and the Trustee by telephone or other electronic communication acceptable to the parties of the All Hold Rate and the ARS Index for each series of the Series 2004I, J and K ARS Bonds.

(b) Promptly after the Submission Deadline on each Auction Date for each series of the Series 2004I, J and K ARS Bonds, the Auction Agent will 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 will determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent will advise the Trustee 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 Trustee will promptly notify the Securities Depository of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason (including, but not limited to, the lack of a duly appointed Broker-Dealer), fails to provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period will be the same as the preceding Auction Period and the ARS Rate for the new Auction Period will be the same as the ARS Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period will be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the ARS Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extend

to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. Notwithstanding the foregoing, no ARS Rate shall be extended for more than 35 days. If at the end of 35 days the Auction Agent fails to calculate or provide the Auction Rate, the ARS Rate shall be the Maximum Interest Rate.

(e) In the event of a failed conversion, with respect to the Series 2004I, J and K ARS Bonds to a Daily Rate Period, a Weekly Rate Period, a Term Rate Period, a Flexible Rate Period or a Fixed Rate Period 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 ARS Rate for the next Auction Period will be the Maximum Interest Rate and the Auction Period will be a seven-day Auction Period.

(f) If the Series 2004I, J and K ARS Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the ARS Rate will be the Maximum Interest Rate.

(g) If the fees of any Broker-Dealer are not paid, the Trustee shall notify the Auction Agent of such failure, and the ARS Rate for the next Auction Period will be the Maximum Interest Rate.

Allocation of Series 2004I, J and K ARS Bonds.

(a) In the event of Sufficient Clearing Bids for a series of the Series 2004I, J and K ARS Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for such series will be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the Series 2004I, J and K ARS Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner will be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate will be rejected, thus requiring each such Existing Owner to sell the Series 2004I, J and K ARS 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 will be accepted, thus requiring each such Existing Owner to continue to hold the Series 2004I, J and K ARS 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 will be accepted, thus requiring each such Potential Owner to purchase the Series 2004I, J and K ARS 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 will be accepted, thus requiring each such Existing Owner to continue to hold the Series 2004I, J and K ARS Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of the Series 2004I, J and K ARS Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Series 2004I, J and K ARS 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 will be the principal amount of Outstanding Series 2004I, J and K ARS Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which will be the aggregate principal amount of Outstanding Series 2004I, J and K ARS 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 will be rejected, thus requiring each such Existing Owner to sell any excess amount of the Series 2004I, J and K ARS Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate will be accepted, thus requiring each such Potential Owner to purchase the Series 2004I, J and K ARS Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of the Series 2004I, J and K ARS Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Series 2004I, J and K ARS 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 will be the principal amount of Outstanding Series 2004I, J and K ARS Bonds subject to such Submitted Bid and the denominator of which will be the sum of the aggregate principal amount of Outstanding Series 2004I, J and K ARS 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 will be rejected; and

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

(b) In the event there are not Sufficient Clearing Bids for a series of the Series 2004I, J and K ARS Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders, for each series of the Series 2004I, J and K ARS Bonds will be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the Series 2004I, J and K ARS 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 Interest Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Series 2004I, J and K ARS 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 Interest Rate will be accepted, thus requiring each such Potential Owner to purchase the Series 2004I, J and K ARS Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner will be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Interest Rate will be deemed to be and will be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of the Series 2004I, J and K ARS Bonds obtained by multiplying (A) the aggregate principal amount of the Series 2004I, J and K ARS Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which will be the principal amount of Outstanding Series 2004I, J and K ARS 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 will be the principal amount of Outstanding Series 2004I, J and K ARS 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 will be deemed to be and will be accepted as a Hold Order and each such Existing Owner will be required to continue to hold such excess amount of the Series 2004I, J and K ARS Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Interest Rate will 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 the Series 2004I, J and K ARS Bonds which is not an integral multiple of \$25,000 on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, round up or down the principal amount of the Series 2004I, J and K ARS Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Series 2004I, J and K ARS Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date will be an integral multiple of \$25,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Series 2004I, J and K ARS 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 less than \$25,000 in principal amount of the Series 2004I, J and K ARS Bonds on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, allocate the Series 2004I, J and K ARS Bonds for purchase among Potential Owners so that the principal amount of ARS purchased on such Auction Date by any Potential Owner will be an integral multiple of \$25,000, even if such allocation results in one or more of such Potential Owners not purchasing the Series 2004I, J and K ARS Bonds on such Auction Date.

Notice of ARS Rate.

(a) On each Auction Date, the Auction Agent will 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 each series of the Series 2004I, J and K ARS Bonds for which an Auction was held on such Auction Date:

- (i) the ARS 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 the Series 2004I, J and K ARS 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 the Series 2004I, J and K ARS Bonds, if any, to be purchased by such Potential Owner;
- (v) if the aggregate principal amount of the Series 2004I, J and K ARS 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 the Series 2004I, J and K ARS 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 the Series 2004I, J and K ARS 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 each series of the Series 2004I, J and K ARS 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 will: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the ARS 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 the Series 2004I, J and K ARS Bonds to be purchased pursuant to such Bid (including, with respect to the Series 2004I, J and K ARS 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 Series 2004I, J and K ARS 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 the Series 2004I, J and K ARS Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

ARS Index.

(a) The ARS Index on any Auction Date with respect any series of the Series 2004I, J and K ARS Bonds shall be the applicable index most recently made available by Kenny S&P Evaluation Services ("Kenny") or any successor thereto (the "Indexing Agent") based upon 30-day yield evaluations at par of securities, the interest on which is excluded from gross income for federal income tax purposes under the Code, of not less than five "Intermediate Grade" component issuers selected by the Indexing Agent which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by such Indexing Agent in its discretion. The securities on which the ARS Index is based shall not include any securities the interest on which is subject to a "minimum tax" or similar tax under the Code, unless all such securities are subject to such tax.

(b) In the event that Kenny no longer publishes an index satisfying the above definition of the ARS Index, or Goldman, Sachs & Co. with respect to the Series 2004I Bonds, UBS Financial Services Inc. with respect to the Series 2004J Bonds and Morgan Stanley with respect to the Series 2004K Bonds, (or any other Broker-Dealer designated by the Authority in writing to the Auction Agent and the Trustee) reasonably concludes that the ARS Index will not be announced in a timely manner, then such Broker-Dealer shall determine the ARS Index based upon the same criteria used by Kenny, and upon the direction of such Broker-Dealer, the Auction Agent shall use such rate as the ARS Index for each Auction Date thereafter.

(c) If for any reason on any Auction Date, the ARS Index will not be determined as hereinabove provided, the ARS Index will be the ARS Index for the Auction Period ending on such Auction Date.

(d) The determination of the ARS Index as provided herein will be conclusive and binding upon the Authority, the Trustee, the Broker-Dealers, the Auction Agent and the owners of the Series 2004I, J and K ARS Bonds.

Miscellaneous Provisions Regarding Auctions.

(a) In this Appendix C, each reference to the purchase, sale or holding of the “Series 2004I, J and K ARS Bonds” will refer to beneficial interests in the Series 2004I, J and K ARS Bonds, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to each series of the Series 2004I, J and K ARS Bonds, the provisions of the Indenture and the definitions contained therein and described in this Appendix C, including without limitation the definitions Maximum Interest Rate, All Hold Rate, ARS Index, Interest Payment Date, and the ARS Rate, may be amended pursuant to the Indenture, by obtaining the consent of the owners of all affected Outstanding Series 2004I, J and K ARS Bonds bearing interest at an ARS Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Series 2004I, J and K ARS Bonds as required by the Indenture, (i) the ARS Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Authority and the Trustee an Opinion of Bond Counsel to the effect that such amendment will not adversely affect the validity of the Series 2004I, J and K ARS Bonds or any exemption from federal income tax to which the interest on the Series 2004I, J and K ARS Bonds would otherwise be entitled, the proposed amendment will be deemed to have been consented to by the owners of all affected Outstanding Series 2004I, J and K ARS Bonds and Series 2004I, J and K ARS Bonds bearing interest at an ARS Rate of such Series.

(c) If the Securities Depository notifies the Authority that it is unwilling or unable to continue as owner of the Series 2004I, J and K ARS Bonds or if at any time the Securities Depository will no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, the Authority will execute and the Trustee will authenticate and deliver certificates representing the Series 2004I, J and K ARS Bonds. Such Series 2004I, J and K ARS Bonds will be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, will instruct the Authority and the Trustee.

During an ARS Rate Period, so long as the ownership of the Series 2004I, J and K ARS 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 Series 2004I, J and K ARS Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided 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 the Series 2004I, J and K ARS Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Series 2004I, J and K ARS Bonds to that Broker-Dealer or another customer of that Broker-Dealer will 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 the Series 2004I, J and K ARS Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Changes in Auction Period or Auction Date.

(a) Changes in Auction Period. (i) During any ARS Rate Period, the Authority may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Series 2004I, J and K ARS Bonds of any series in an ARS Rate Period among daily, seven-days, 28-days, 35-days, three months, six months and a Special Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Series 2004I, J and K ARS Bonds; provided, however, in the case of a change

from a Special Auction Period, the date of such change will be the Interest Payment Date immediately following the last day of such Special Auction Period. The Authority will initiate the change in the length of the Auction Period by giving written notice to the Trustee, the Credit Provider, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period will 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.

(ii) Any such changed Auction Period will be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Special Auction Period and will be for all of the Series 2004I, J and K ARS Bonds of a series in an ARS Rate Period.

(iii) The change in the length of the Auction Period for any series of the Series 2004I, J and K ARS Bonds will not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iv) The change in length of the Auction Period for any series of Series 2004I, J and K ARS Bonds will take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Authority consenting to the change in the length of the Auction Period specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner will be deemed to have submitted Sell Orders with respect to all of its Series 2004I, J and K ARS Bonds except to the extent such Existing Owner submits an Order with respect to such Series 2004I, J and K ARS Bonds. If the condition referred to in (A) above is not met, the Auction Rate for the next Auction Period will be determined pursuant to the Auction Procedures and the Auction Period will be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Auction Rate for the next Auction Period will be the Maximum Interest Rate and the Auction Period will be a seven-day Auction Period.

(v) On the conversion date for the Series 2004I, J and K ARS Bonds selected for conversion from one Auction Period to another, any Series 2004I, J and K ARS Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(vi) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, with the written consent of the Authority, may specify an earlier Auction Date for any series (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Series 2004I, J and K ARS Bonds. The Auction Agent will 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 Trustee, the Authority, the Broker-Dealers and the Securities Depository. In the event the Auction Agent specifies an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Special Auction Period ends and the Interest Payment Date relating to a Special Auction Period will be adjusted accordingly.

Conversions from ARS Rate Periods.

At the option of the Authority, all of a series of the Series 2004I, J and K ARS Bonds may be converted from an ARS Rate Period to a Daily Rate Period, a Weekly Rate Period, a Flexible Rate Period, a Term Rate Period or a Fixed Rate Period as follows:

(i) The Conversion Date will be the Interest Payment Date following the final Auction Period.

(ii) The Authority will give written notice of any such conversion to the Credit Provider, the Trustee, the Auction Agent, the Remarketing Agent, if any, and the Broker-Dealer not less than seven (7) Business Days prior to the date on which the Trustee is required to notify the Bondholders of the conversion pursuant to subparagraph (iii) below. Such notice will specify the proposed Conversion Date and the new rate period. Together with such notice, the Authority will file with the Credit Provider and the Trustee an Opinion of Bond Counsel to the effect that the proposed conversion of the Series 2004I, J and K ARS Bonds will not adversely affect the validity of the Series 2004I, J and K ARS Bonds or any exemption from federal income taxation to which interest on the Series 2004I, J and K ARS Bonds would otherwise be entitled. No conversion will become effective unless the Authority will also file with the Credit Provider and the Trustee, such an Opinion of Bond Counsel dated the Conversion Date.

(iii) Not less than twenty (20) days prior to the Conversion Date, the Trustee will mail a written notice of the conversion to the holders of all Series 2004I, J and K ARS Bonds to be converted, specifying the Conversion Date and setting forth the matters required to be stated pursuant to the Indenture with respect to purchases of the Series 2004I, J and K ARS Bonds.

(iv) If on a Conversion Date any condition precedent to such conversion required under the Indenture is not satisfied, the Trustee will give written notice by first class mail postage prepaid as soon as practicable and in any event not later than the next succeeding Business Day to the Series 2004I, J and K ARS Bondholders, the Authority and the Credit Provider that such conversion has not occurred, that the Series 2004I, J and K ARS Bonds will not be purchased on the failed Conversion Date, that the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to the Series 2004I, J and K ARS Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Conversion Date, and that the interest rate will continue to be the ARS Rate; provided, however, that the interest rate borne by the Series 2004I, J and K ARS Bonds during the Auction Period commencing on such failed Conversion Date will be the Maximum Interest Rate, and the Auction Period will be the seven-day Auction Period.

(v) Except for conversions to a Term Rate Period or a Fixed Rate Period, unless waived by the Credit Provider, a Liquidity Facility meeting the requirements of the Indenture is effective.

Auction Agent

Auction Agent.

(a) The Auction Agent will be appointed by the Trustee at the written direction of the Authority, to perform the functions specified in the Indenture. The Auction Agent will designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument, delivered to the Authority, the Trustee and each Broker-Dealer which will set forth such procedural and other matters relating to the implementation of the Auction Procedures as will be satisfactory to the Authority and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in the Series 2004I, J and K ARS Bonds with the same rights as if such entity were not the Auction Agent.

Qualifications of Auction Agent; Resignation; Removal. The Auction Agent will be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by the Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least ninety (90) days notice to the Authority, the Credit Provider and the Trustee. The Auction Agent may be removed at any time by the Authority by written notice, delivered to the Auction Agent, the Authority, the Credit Provider and the Trustee. Upon any such resignation or removal, the Trustee will appoint a successor Auction Agent meeting the requirements of this paragraph. In the event of the resignation or removal of the Auction Agent, the Auction Agent will pay over, assign and deliver any moneys and the Series 2004I, J and K ARS Bonds held by it in such capacity to its successor. The Auction Agent will continue to perform its duties until its successor has been appointed by the Trustee. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the Authority and the Trustee even if a successor Auction Agent has not been appointed.

APPENDIX D

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

*Nassau County Interim
Finance Authority*

**Independent Auditors' Report
Financial Statements**
Year Ended December 31, 2003

NASSAU COUNTY INTERIM FINANCE AUTHORITY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	D-1
MANAGEMENT'S DISCUSSION AND ANALYSIS	D-2
BASIC FINANCIAL STATEMENTS	
ENTITY-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS—DECEMBER 31, 2003	D-5
STATEMENT OF ACTIVITIES—YEAR ENDED DECEMBER 31, 2003	D-6
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS	
BALANCE SHEET—DECEMBER 31, 2003	D-7
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS—DECEMBER 31, 2003	D-8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—YEAR ENDED DECEMBER 31, 2003	D-9
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES—YEAR ENDED DECEMBER 31, 2003	D-10
NOTES TO FINANCIAL STATEMENTS	D-11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nassau County Interim Finance Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nassau County Interim Finance Authority (the "Authority"), a component unit of Nassau County, as of December 31, 2003, and for the year then ended, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of December 31, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages D-2 through D-4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte + Touche LLP

April 30, 2004

NASSAU COUNTY INTERIM FINANCE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2003

Introduction

The Nassau County Interim Finance Authority (the "Authority" or "NIFA") is a New York State authority empowered to monitor and oversee the finances of Nassau County, New York (the "County") and to issue bonds and notes for various County purposes. In its oversight capacity, the Authority is empowered to, among other things, review County financial plans submitted to it; make recommendations or, if necessary, adverse findings thereon; make transitional State aid available as it determines; comment on proposed borrowings by the County and certain affiliated organizations; and impose a "control period" upon making one of several statutory finds concerning the County's financial position. To date, the Authority has not imposed a control period.

In its capacity to issue bonds and notes on behalf of the County, the Authority has funded cash flow, capital and working capital needs of the County since the Authority was created in 2000. NIFA did not fund any County cash flow needs during 2003 because the County's improved financial condition allowed them to borrow for these needs on their own behalf. Revenues to fund Authority operations and pay Authority debt service are provided by a portion of the sales tax revenues of the County on which the Authority has a first lien and, to a much smaller extent, by investment earnings. The Authority has no operating income or taxing power.

Overview of the Financial Statements

The annual financial statements of the Authority consist of the following components: management's discussion and analysis (this section), financial statements, and notes to the financial statements.

Management's discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2003. The overview, which covers the most important financial events of the period, should be read in conjunction with the Authority's financial statements, including the notes to the financial statements.

Entity-wide financial statements of the Authority are in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The entity-wide financial statements use the economic resource measurement focus and accrual basis of accounting. These statements are presented to display information about the reporting entity as a whole. The statement of net assets presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. The statement of activities presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. These statements are the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance*. They recognize revenue when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current

fiscal period. These are the type of financial statements prepared by the Authority prior to GASB No. 34, though they have been modified to conform to GASB No. 34.

In addition to these two types of statements, the financial statements include a reconciliation between the entity-wide and governmental fund statements. Accompanying notes to the financial statements are an integral part of the financial statements.

Financial Highlights and Overall Analysis

The single most critical factor in the Authority's financial position is sales tax revenue, which provided over 99% of the Authority's 2003 revenue. The State legislation that created NIFA in June 2000 granted the Authority a first lien and perfected security interest in net collections from sales and compensating use taxes authorized by the State and imposed by the County, currently at the rate of 4 ¼%, on the sales and use of personal property and services in the County, excluding up to ¼ % component that is allocable to towns, cities and villages within the County. Sales taxes are collected by the State and remitted to the Authority's bond trustee, usually several times each month. After provision for Authority debt service deposits and operating expenses, the remaining funds are remitted immediately to the County.

The amount of sales tax revenues to be collected depends upon various factors including the economic conditions in the County, which has experienced numerous cycles of growth and recession. In addition, specific goods and services can be exempted from the imposition of sales tax, and the rate of taxation can be changed. Of the current 4 ¼% sales tax rate, 3% is a base rate and the remaining 1 ¼% is subject to periodic renewals. From County fiscal year 1981 to County fiscal year 2003, the average annual compound growth rate for sales tax collections was approximately 6.14%. (County collections are described because the Authority was only created in 2000.) NIFA's sales tax receipts grew by 3.3% in FY 2003. There can be no assurance that historical data is predictive of future trends. The Authority does not make projections of sales tax revenues.

Sales tax revenue for the year ended December 31, 2003 was \$843,211,068 an increase of 3.3% over the prior year, resulting primarily from a higher level of retail sales. Investment income, which accounts for the remaining Authority revenue (apart from State Transitional Assistance to Nassau County, which is received and disbursed by the Authority), totaled \$1,591,363 in 2003, a decrease of 22% from 2002. This decrease is attributable to lower interest rates and lower fund balances to invest.

Sales tax revenue provided 11.8 times coverage of the Authority's 2003 total monthly set-asides for debt service of \$71,540,359. This coverage will decrease as the Authority issues more debt. The Authority has covenanted to not issue senior debt unless sales tax revenue for 12 consecutive months of the prior 15 months is at least three times the amount of annual senior bond debt service in any future year (3 times coverage). All together, the Authority used \$67,633,722 of sales tax revenue for debt service set-asides and Authority operations, remitting the balance of \$780,305,553 to Nassau County. A portion of the Authority's total operating expense of \$1,136,020 was also provided by interest earnings. As with sales tax, interest earnings that are not required for Authority operations or reserves are remitted to the County.

Other significant elements in the Authority's financial position include long-term and short-term debt of the Authority, reported as long- and short-term liabilities, and proceeds from Authority debt issuance that are retained by the Authority until requisitioned by the County, which are reported as cash and investments. Many of the financial elements typical of other governmental entities, such as operating revenues, program revenues and expenses, capital assets, and inventories, are not present at the Authority.

During 2003, the Authority issued \$275,990,000 long-term bonds (Series 2003A), and \$238,485,000 of refunding bonds (Series 2003B). The Series 2002A-1 BANs in the amount of \$109,145,000 financed cash flow needs of the County and were retired at maturity in March 2003, and the Series 2002B-1 BANs of \$24,090,000 to finance extraordinary working capital needs of the County matured in May 2003, and were redeemed with the proceeds of Series 2003A Bonds. The Series 2002B-2 BANs totaling \$68,920,000 financed cash flow needs of the County and were retired in May and September 2003.

Bonds payable increased in fiscal year 2003 by \$473,140,000 (42%), to \$1,123,320,000, principally due to the issuance of the Series 2003A and Series 2003B Bonds, as offset by principal retirements on prior bond issues. Notes payable decreased by \$202,155,000 due to the County's improved financial condition allowing them to borrow for these needs on their own behalf.

The statement of net assets shows a total net deficit of \$1,060,042,415. The deficit results largely from Authority debt issuance that is backed by securitization of future sales tax revenue. The debt is reported as a long-term liability, but the future revenues are not reportable. As of December 31, 2003, the Authority had bonds payable of \$1,123,320,000. In any year where the Authority issues more long-term debt than it retires, the deficit is likely to increase. The reconciliation on page eight of these financial statements provides additional detail on the determination of the net deficit amount.

Cash and investments decreased by 47% or \$120,615,000. The decrease resulted from reduced County cash flow borrowing, which reduced the amount of County notes held by NIFA, and from debt proceeds requisitions by the County in excess of the new debt issued by the Authority.

* * * * *

NASSAU COUNTY INTERIM FINANCE AUTHORITY

STATEMENT OF NET ASSETS DECEMBER 31, 2003 (Dollars in Thousands)

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 125,239
Investments	11,600
Sales tax receivable	94,158
Interest receivable	54
Other assets	36
Other noncurrent assets, net of amortization	<u>9,089</u>
Total assets	<u>\$ 240,176</u>
LIABILITIES	
Accrued liabilities	\$ 43,377
Due to Nassau County - sales tax	88,156
Due to Nassau County - interest	40
Bonds payable:	
Due within one year	46,015
Due in more than one year	1,077,305
Other liabilities	45,012
Accrued vacation and sick pay	<u>315</u>
Total liabilities	<u>1,300,220</u>
NET ASSETS	
Unrestricted (deficit)	<u>(1,060,044)</u>
Total liabilities and net assets (deficit)	<u>\$ 240,176</u>

See notes to financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2003 (Dollars in Thousands)

	Governmental Activities
EXPENSES	
General and administrative	\$ 1,172
Bond interest expense	47,132
Deposited with the Escrow agent to refund Nassau County debt	279,085
Distribution to Nassau County for financeable costs	194,764
Distribution to Nassau County for general operations	<u>1,459</u>
Total expenses	<u>523,612</u>
GENERAL REVENUES	
Sales tax	843,211
Less distributions to Nassau County	(780,306)
State aid	15,000
Less distributions to Nassau County	<u>(15,000)</u>
Sales tax and state aid revenues retained	62,905
Interest income, net	3,960
Unrealized gain on investments	<u>14</u>
Total general revenues	<u>66,879</u>
Change in net assets	(456,733)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>(603,311)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (1,060,044)</u>

See notes to financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

BALANCE SHEET
DECEMBER 31, 2003
(Dollars in Thousands)

	<u>Governmental Funds</u>				Total (Governmental Funds)
	General	Special Revenue	Debt Service	Capital Projects	
ASSETS					
Cash and cash equivalents	\$ 26,204	\$ -	\$ 10,729	\$ 88,306	\$ 125,239
Investments		-	11,600	-	11,600
Sales tax receivable	94,158	-	-	-	94,158
Interest receivable	9	-	5	40	54
Due from other funds	-	19,833	11,795	-	31,628
Other assets	<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36</u>
TOTAL ASSETS	<u>\$ 120,407</u>	<u>\$ 19,833</u>	<u>\$ 34,129</u>	<u>\$ 88,346</u>	<u>\$ 262,715</u>
LIABILITIES AND FUND BALANCES					
Accrued liabilities	\$ 25	\$ 19,833	\$ 23,493	\$ 27	\$ 43,378
Due to Nassau County - sales tax	88,156	-	-	-	88,156
Due to Nassau County - interest	-	-	-	40	40
Due to other funds	<u>31,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,628</u>
Total liabilities	<u>119,809</u>	<u>19,833</u>	<u>23,493</u>	<u>67</u>	<u>163,202</u>
FUND BALANCES - Unreserved	<u>598</u>	<u>-</u>	<u>10,636</u>	<u>88,279</u>	<u>99,513</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 120,407</u>	<u>\$ 19,833</u>	<u>\$ 34,129</u>	<u>\$ 88,346</u>	<u>\$ 262,715</u>

See notes to financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2003

(Dollars in Thousands)

TOTAL FUND BALANCES - Governmental funds	\$ 99,513
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Other Liability - Unamortized Bond Premium	(45,012)
Bonds payable	(1,123,320)
Accrued vacation and sick pay	(314)
LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS	<u>9,089</u>
NET ASSETS (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,060,044)</u>

See notes to financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED DECEMBER 31, 2003 (Dollars in Thousands)

	Governmental Funds				Total (Governmental Funds)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUES					
Sales tax	\$ 843,211	\$ -	\$ -	\$ -	\$ 843,211
State aid	-	15,000	-	-	15,000
Interest income, net	149	-	309	1,133	1,591
Unrealized gain on investments	-	-	14	-	14
Total revenues	843,360	15,000	323	1,133	859,816
OTHER FINANCING SOURCES					
Principal amount of bonds issued	-	-	-	514,475	514,475
Other sources	-	-	672	47,381	48,053
Operating transfers in	1,817	-	71,540	100	73,457
Total revenues and other financing sources	845,177	15,000	72,535	563,089	1,495,801
EXPENDITURES					
Current:					
General and administrative	1,136	-	-	-	1,136
Cost of issuances - notes/bonds	-	-	-	5,195	5,195
Distribution to Nassau County for financeable costs	-	-	-	194,764	194,764
Distribution to Nassau County for general operations	1,418	15,000	-	41	16,459
Total current expenditures	2,554	15,000	-	200,000	217,554
Debt service	112	-	66,606	-	66,718
Total expenditures	2,666	15,000	66,606	200,000	284,272
OTHER FINANCING USES					
Transfers to Nassau County - sales tax	780,306	-	-	-	780,306
Deposited with Escrow Agent - NIFA Defeasance	-	-	-	26,305	26,305
Deposited with Escrow Agent - Nassau County Defeasance	-	-	-	279,085	279,085
Operating transfers out	62,231	-	672	10,553	73,456
Total expenditures and other financing uses	845,203	15,000	67,278	515,943	1,443,424
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES					
	(26)	-	5,257	47,146	52,377
FUND BALANCES, BEGINNING OF YEAR					
	625	-	5,378	41,133	47,136
FUND BALANCES, END OF YEAR					
	\$ 599	\$ -	\$ 10,635	\$ 88,279	\$ 99,513

See notes to financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2003 (Dollars in Thousands)

NET CHANGE IN FUND BALANCES - Total governmental funds	\$ 52,377
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
Bond proceeds provide current financial resources to governmental funds, but debt issued increases long-term liabilities in the statement of net assets	(514,475)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	17,445
Governmental funds report costs of debt issuance as expenditures. However, in the statement of activities, the cost of debt issuance is amortized over the lives of the debt	4,973
Interest expense is reported in the statement of activities on the accrual basis, but interest is reported as an expenditure in governmental funds when outlay of financial resources is required	1,705
Governmental funds report premium on debt issued as revenue. However, in the statement of activities, the premium on debt issued is amortized over the lives of the debt	(45,012)
Payments to escrow agents for bond refundings is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	26,291
Expenses (accrued vacation and sick pay) reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds' statement of revenues, expenditures and changes in fund balances	<u>(37)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (456,733)</u>

See notes to financial statements.

NASSAU COUNTY INTERIM FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

1. ORGANIZATION

The Nassau County Interim Finance Authority (the "Authority") is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created by the Nassau County Interim Finance Authority Act, Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000 and as may be amended from time to time, including but not limited to Chapter 528 of the Laws of 2002, and Chapters 314 and 685 of the Laws of 2003 (the "Act"). The Act became effective June 23, 2000. Although legally separate and independent of Nassau County (the "County"), the Authority is a component unit of the County for County financial reporting purposes and, accordingly, is included in the County's financial statements.

The Authority is governed by seven directors, each appointed by the Governor, including one each appointed upon the recommendation of the Majority Leader of the State Senate, the Speaker of the Assembly and the State Comptroller. The Governor also designates the chairperson and vice-chairperson from among the directors. At present one Director's position is vacant

The Authority has power under the Act to monitor and oversee the finances of Nassau County, and upon declaration of a "Control Period" as defined in the Act, additional oversight authority. The Authority is also empowered to issue its bonds and notes for various County purposes, defined in the Act as "Financeable Costs". The Act authorizes the issuance of bonds and notes, without limit, to finance capital projects and cash flow needs of the County, as well as, to the extent authorized by State law, any County deficit. In addition, the Authority may issue bonds up to the limits as currently set forth in the Act, exclusive of any bonds issued to finance reserves, capitalized interest or costs of issuing such obligations, to refinance any of the County's indebtedness (up to \$415,000,000); to refinance only tax certiorari settlements or assignments of any kind to which the County is a party (up to \$790,000,000); and to finance tax certiorari judgments and settlements of the County (up to \$400,000,000 if the proceeding commenced before June 1, 2000 and up to \$400,000,000, in aggregate, for proceedings commenced between June 1, 2000 and December 31, 2007, however of said amount up to \$15 million can be issued in 2006, and up to \$10 million can be issued in 2007. Bonds issued to refund bonds theretofore issued for purposes subject to the debt limits described above are not counted against such limits. The Act currently provides that the Authority may not issue bonds or notes after 2005, other than to retire or otherwise refund Authority debt and as discussed above to finance up to \$25 million for tax certiorari judgments. No bond of the Authority may mature later than January 31, 2036 or more than 30 years from its date of issuance.

Revenues of the Authority ("Revenues") consist of sales tax revenues, defined as net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County on the sale and use of tangible personal property and services in the County ("Sales Tax Revenues"), and investment earnings on money and investments on deposit in various Authority accounts. Sales Tax Revenues collected by the State Comptroller for transfer to the Authority are not subject to appropriation by the State or County. Revenues of the Authority that

are not required to pay debt service, operating expenses and other costs of the Authority are payable to the County as frequently as practicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Authority's management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

In accordance with the Act, the Authority's fiscal year is the calendar year.

The entity-wide financial statements of the Authority, which include the statement of net assets and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB No. 34. The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Authority's governmental fund financial statements, the balance sheet and the statement of revenues, expenditures and changes in fund balance are presented using the current financial resources measurement focus and the modified accrual basis of accounting. They recognize revenue when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when the related liability is incurred, except for unmatured debt service on bonds payable, which is recognized when due (see Note 5).

The Authority uses four governmental funds to report its financial position and the results of operations. The General Fund accounts for sales tax revenues received by the Authority and for general operating expenses of the Authority. Short-term borrowings of the Authority are also accounted for in the General Fund except for those bond anticipation notes intended to be refinanced with long term obligations of the Authority, which are accounted for in the Capital Fund. The Special Revenue Fund accounts for Transitional State Aid, as defined in the Act, which includes assistance for general County needs and aid targeted to assist the County in streamlining its tax certiorari processing. Both types of aid are provided to the County through the Authority. The Debt Service Fund accounts for the accumulation of resources for payment of principal and interest on the Authority's bonds. Only that portion of bonds payable expected to be financed from expendable available resources is reported as a liability of the Debt Service Fund. The Capital Projects Fund accounts for resources to be transferred to the County for its Financeable Costs.

Beginning in 2002, bond premiums, discounts and issuance costs for bonds are capitalized and amortized over the lives of the related debt issues using the straight-line method in the entity-wide financial statements. The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued, together with bond premiums, is reported as other financing sources, while discounts on

debt issuances, credit enhancement costs, and costs of issuance are reported as other financing uses.

Interest expense is recognized on the accrual basis in the entity-wide financial statements. In the governmental fund statements, interest expenditures are recognized when funds are deposited in the debt service fund.

The Authority receives Sales Tax Revenues several times each month, and receives interest earnings from time to time as investments mature. Funds for debt service are required to be set aside from revenues on a monthly basis, and the Authority also deducts, as necessary, amounts which in its judgment are required for Authority operations and operating reserves. Residual Sales Tax Revenues and investment earnings are then transferred to the County as cash.

No revenues are generated from operating activities of the Authority, therefore, all Revenues are defined by the Authority as non-operating revenues. Revenues are received in the General Fund, Special Revenue Fund, Debt Service Fund or Capital Projects Fund, depending on their source. Overhead expenses of the Authority that arise in the course of providing the Authority's oversight debt issuance services, such as payroll and office expenses, are considered operating expenses and are accounted for in the General Fund. Expenditures related to debt issuance, and transfers of funds to the County, are considered non-operating expenses and are accounted for in the appropriate fund. See Note 3, "Transactions with and On Behalf of Nassau County."

Assets are capitalized only if their value is greater than \$15,000. The Authority has no such assets. The Authority holds no inventory beyond small amounts of office supplies. Prepaid expense accruals are minor and are adjusted at the close of each fiscal year. The Authority does not presently accrue for rebatable arbitrage, if any. The first date on which it may owe a rebate on its bonds is in 2006. Rebate liability on the Authority's notes is being calculated and, if necessary will be paid by Nassau County. See Note 7, "Bond Anticipation Notes Payable."

The Authority has not completed the process of evaluating the impact that will result from adopting Statement of Governmental Accounting Standards No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40") an amendment of Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. The Authority is therefore unable to disclose the impact that adopting Statement of Governmental Accounting Standards No. 40 will have on its financial position and results of operations when such statement is adopted.

3. TRANSACTIONS WITH AND ON BEHALF OF NASSAU COUNTY

The Act and other legal documents of the Authority establish various financial relationships between the Authority and the County. The resulting financial transactions between the Authority and the County include the receipt and use of revenues as well as Authority debt issuances to fund financeable costs of the County.

The receipt and remittance of revenues in 2003 included:

- The receipt and remittance to the County of sales tax revenues (see Notes 1, 2 and 5). Revenues of \$843,211,068, of which \$780,305,553 was remitted to Nassau County. The balance was retained for Authority debt service and operations.

- The remittance to the County for general County operations, of earnings on various funds held by or on behalf of the Authority, to the extent that those earnings are not required for the payment of Authority debt service or expenses. In 2003, the Authority remitted \$1,417,591 of interest earnings.
- The receipt from New York State of Transitional State Aid for Nassau County, and transfer of that aid to the County. Transitional State Aid for general County needs in 2003 was \$15,000,000, which was fully disbursed to the County on January 29, 2004. In addition, of the \$5,000,000 of aid appropriated by New York State in 2000 to assist the County in streamlining its tax certiorari process, \$4,832,938 continues to be held by the Authority pending appropriate County action.

Authority debt issuance to fund Financeable Costs of the County encompassed the following types of activity and transfers to Nassau County in 2003:

- The sale of \$275,990,000 of Bonds by the Authority to finance Financeable Costs of the County (see Notes 1 and 6).
- The sale of \$238,485,000 of Bonds by the Authority to refund outstanding indebtedness of the County (see Notes 1 and 6).
- Transfer to the County, upon County requisition, of bond and note proceeds from debt issuance in 2003 and prior years. For the year ended December 31, 2003, \$194,764,075 of proceeds was distributed to Nassau County from the Capital Projects Fund.

4. CASH AND INVESTMENTS

The Authority invests in accordance with the Act, as well as other applicable rules and regulations, the Indenture, and Authority Investment Guidelines originally adopted by the Authority Directors in November 2000. As of December 31, 2003 the Authority held cash, collateralized Certificates of Deposit, Treasury Note Strips, Treasury Bills, Federal National Mortgage Association Discount Notes, and commercial paper of the Citigroup Corporation. All bank deposits of Authority funds are required to be fully collateralized or insured. Collateral for the Authority cash and certificates of deposit (in amounts in excess of Federal deposit insurance) is 102% of the amount of the cash or certificate of deposit amount, is held by a third party custodian in the Authority's account, and consists of U.S. government or agency obligations.

Investments of the Authority are categorized by level of credit risk (the risk that a counterparty to an investment transaction will not fulfill its obligations). Category 1, the lowest risk, includes investments that are insured or registered or for which securities are held by the entity or its agent in the entity's name, including collateralized bank deposits for which collateral is held by a third party, segregated in the entity's name. Category 2, includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name. Category 3, the highest risk, includes investments that are uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name. The Authority's investments were Category 1.

At the start of the fiscal year, the Authority also held Nassau County Revenue Anticipation Notes, Series 2002A (the “RANs”) in the principal amount of \$109,145,000, that matured on February 28, 2003; and Nassau County Tax Anticipation Notes, Series 2002A and 2002B (together, the “TANs”), in the aggregate principal amount of \$68,920,000 that matured in May and August 2003, respectively. The RANs were sold to the Authority at private sale, in connection with the Authority’s Series 2002A-1 Bond Anticipation Note issuance in July 2002. The TANs were sold to the Authority at private sale, in connection with the Authority’s 2002B-2 Bond Anticipation Note issuance in December 2002. The Authority did not hold any RANs or TANs as of December 31, 2003.

The following table summarizes the Authority’s cash and investments as of December 31, 2003. Short-term investments with maturities of 90 days or less, and non-marketable securities, are recorded at cost. Marketable securities with maturities longer than 90 days are recorded at fair value and all investment income, including changes in fair value, is reported as revenue on the Statement of Revenue, Expenditures and Changes in Fund Balance. Fair value is determined using market values at December 31, 2003. On the Balance Sheet, the accrual of interest on short-term investments is reported as interest receivable, and the unrealized change in fair value of marketable securities with maturities longer than 90 days is reflected in the amount of the investment asset.

	Dollars in Thousands		
	Held by Authority	Held by Trustee	Total
Cash	\$ 86	\$ 5,796	\$ 5,882
Certificates of Deposit (maturities less than 90 days)	20,326	-	20,326
Commercial Paper		10,725	10,725
U.S. government and agency discount notes (maturities less than 90 days)	-	88,306	88,306
Total cash and cash equivalents	<u>20,412</u>	<u>104,827</u>	<u>125,239</u>
U.S. government and agency discount notes (maturities greater than 90 days)	-	11,600	11,600
Total marketable securities	-	<u>11,600</u>	<u>11,600</u>
Total cash and investments	<u>\$ 20,412</u>	<u>\$ 116,427</u>	<u>\$ 136,839</u>

5. SALES TAX REVENUE RECEIVABLE

Sales tax revenues received after December 31 but attributable to the prior year are shown on the balance sheet as sales tax receivable and due to Nassau County and due to debt service fund. On the statement of revenues, expenditures and changes in fund balance, the full amount of the receivable has been recognized as sales tax revenue and applicable portions of these funds have been included as transfers to Nassau County and debt service expense.

6. BONDS PAYABLE

Bonds of the Authority are issued pursuant to an Indenture, as supplemented and amended (the “Indenture”) between the Authority and the United States Trust Company of New York and its successor The Bank of New York (the “Trustee”), under which the Authority has pledged its right, title and interest in the Revenues of the Authority to secure repayment of Authority debt. The Act provides that the Authority’s pledge of its Revenues represents a perfected first security interest on behalf of holders of its bonds. The lien of the Indenture on the Revenues for the security of Authority bonds is prior to all other liens thereon. The Authority does not have any significant assets or sources of funds other than Sales Tax Revenues and amounts on deposit pursuant to the Indenture. The Authority has no independent taxing power.

The Authority issued \$254,720,000 of Sales Tax Secured Bonds, Series 2000A (the “2000A Bonds”), on October 25, 2000; \$181,480,000 of Sales Tax Secured Bonds, Series 2001A (the “2001A Bonds”) on June 27, 2001; \$112,825,000 of Sales Tax Secured Bonds, Series 2002A (the “2002A Bonds”) and \$112,825,000 Sales Tax Secured Bonds, Series 2002B (the “2002B Bonds”) and together with the 2002A Bonds, the “2002A/B Bonds”) on July 10, 2002; and \$275,990,000 of Sales Tax Secured Bonds, Series 2003A (the “2003A Bonds”), and \$238,485,000 Sales Tax Secured Refunding Bonds, Series 2003B (the “2003B Bonds”) and together with the 2003A Bonds, the “2003A/B Bonds”), on May 21, 2003. The 2000A Bonds, the 2001A Bonds; the 2002A/B Bonds; and the 2003 A/B Bonds are collectively referred to as the “Bonds.”

Of the \$238,485,000 Sales Tax Secured Refunding Bonds, \$26,305,158 was used to advance refund \$23,890,000 of outstanding 2000A Bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, a portion of the 2000A bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide financial statement of net assets. In 2003, the refunding transaction decreased NIFA’s aggregate debt service payments by \$1,972,591 and provided an economic gain of approximately \$1,400,000.

The 2000A Bonds and the 2001A Bonds were sold at fixed rates of interest as serial and term bonds and are collectively referred to as the “Fixed Rate Bonds”. The 2002A/B Bonds were sold as variable rate demand obligations and are collectively referred to as the “Variable Rate Bonds.” The 2002A Bonds and the 2002B Bonds are each term bonds maturing in 2022 with scheduled sinking fund redemptions in each year starting in 2003. The 2003A Bonds and the 2003B Bonds were sold at fixed rates of interest as serial bonds and are collectively referred to as “Fixed Rate Bonds”

Interest rates on the Variable Rate Bonds are currently reset weekly by a remarketing agent at the minimum rate necessary for the bonds to have a market value equal to the principal amount. Interest rates are determined and set separately for the 2002A Bonds and the 2002B Bonds.

The Variable Rate Bonds are in most circumstances subject to tender at the option of the bondholder. Payment of the purchase price of eligible 2002A Bonds and 2002B Bonds subject to optional or mandatory tender for purchase and not remarketed by the remarketing agent, will be made under and pursuant to, and subject to the terms, conditions and provisions of, a liquidity facility issued by Dexia Credit Local, acting through its New York Agency, with respect to the Series 2002A Bonds; or a liquidity facility issued by BNP Paribas, acting through its Los Angeles branch, with respect to the Series 2002B Bonds. Each liquidity facility is slated to expire July 9, 2007, subject to extension or early termination. Bonds that are purchased by Dexia Credit Local

or BNP Paribas and not remarketed, if any, must be repaid over a five year period. If this was to occur, annual Authority debt service expense would increase substantially.

Bonds are recorded at the principal amount outstanding and consist of the following:

	Dollars in Thousands			Balance at December 31, 2003
	Balance at December 31, 2002	Issued	Retired	
Sales Tax Secured Bonds, Series 2000A 4.50% to 5.625% Serial and term bonds due 2002 to 2020	\$ 247,740	\$ -	\$ 31,180	\$ 216,560
Sales Tax Secured Bonds, Series 2001A 4% to 5.375% Serial and term bonds due 2002 to 2021	176,790	-	5,110	171,680
Sales Tax Secured Bonds, Series 2002A (variable rate) Term Bond due 2022 with mandatory sinking fund redemptions 2003-2021	112,825	-	1,635	111,190
Sales Tax Secured Bonds, Series 2002B (variable rate) Term Bond due 2022 with mandatory sinking fund redemptions 2003-2021	112,825	-	3,410	109,415
Sales Tax Secured Bonds, Series 2003A 2% to 6% Serial bonds due 2004 to 2023	-	275,990	-	275,990
Sales Tax Secured Refunding Bonds, Series 2003B 2% to 5% Serial bonds due 2005 to 2018	-	238,485	-	238,485
	<u>\$ 650,180</u>	<u>\$ 514,475</u>	<u>\$ 41,335</u>	<u>\$ 1,123,320</u>

Aggregate debt service to maturity as of December 31, 2003 is as follows:

Year Ending December 31	Dollars in Thousands		
	Principal	Interest*	Total
2004	\$ 26,260	\$ 54,276	\$ 80,536
2005	44,670	52,966	97,636
2006	47,605	51,210	98,815
2007	61,350	49,612	110,962
2008	56,750	47,027	103,777
2009-2013	340,640	190,494	531,134
2014-2018	304,735	107,173	411,908
2019-2023	241,310	29,861	271,171
	<u>\$ 1,123,320</u>	<u>\$ 582,619</u>	<u>\$ 1,705,939</u>

* Interest on the Variable Rate Bonds is calculated at 1.5%, the interest rate in effect as of December 31, 2003. During 2003, the interest rate on the Variable Rate Bonds ranged from 0.55% to 1.35%.

Interest on the Authority's Fixed Rate Bonds is payable on May 15 and November 15 of each year, and interest on the Variable Rate Bonds is payable on the first business day of each month. Principal on all bonds is payable on November 15. A debt service account has been established under the Indenture to provide for the payment of interest on and principal of bonds outstanding under the Indenture. The Trustee makes monthly deposits to the debt service account in the amount of debt service accrued through the end of that month. For the Fixed Rate Bonds, this is essentially one-sixth of the next interest payment and one-twelfth of the next principal payment. For the Variable Rate Bonds, this is one-twelfth of the next principal payment and the amount needed to maintain a prudent level of funding in excess of the anticipated interest expense to be accrued that month. Because of this monthly deposit requirement, the amount accrued for debt service in the Authority's financial statements in any year will not be the same as the debt service on the bonds paid to bondholders in that year.

7. BOND ANTICIPATION NOTES PAYABLE

As of January 1, 2003 the Authority had outstanding bond anticipation notes of \$202,155,000. These notes were paid off during 2003. The Series 2002B-1 Notes in the amount of \$24,090,000 were paid off from the proceeds of the Series 2003A Bonds and the other notes outstanding at the beginning of the year were paid by Nassau County. NIFA did not issue any notes during 2003 because the County's improved financial condition allowed the County to issue notes on its own behalf for these purposes.

The County is responsible for calculating arbitrage rebate liability on notes issued by the Authority, and for paying any rebate liability determined to exist. The County currently estimates that it has a rebate liability of approximately \$1,000,000 pertaining to retired Authority notes. The following chart shows the change in the Authority's short-term debt in 2003.

	Dollars in Thousands			
	Balance at December 31, 2002	Issued	Retired	Balance at December 31, 2003
Bond Anticipation Notes, Series 2002A	\$ 109,145	\$ -	\$ 109,145	\$ -
Bond Anticipation Notes, Series 2002B	<u>93,010</u>	<u>-</u>	<u>93,010</u>	<u>-</u>
	<u>\$ 202,155</u>	<u>\$ -</u>	<u>\$ 202,155</u>	<u>\$ -</u>

8. PENSION LIABILITY

Eligible Authority employees participate in the New York State and Local Employees' Retirement System and the Public Employees Group Life Insurance Plan (together, the "System"), a cost-sharing multiple-employer defined benefit retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York ("Comptroller") serves as the sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12236.

Employer contribution rates are determined by the Comptroller. Under the Authority of the NYSRSSL, the Comptroller certifies annually the rates, expressed as proportions of the payroll of members, which shall be used in computing the contributions required to be made by the employer to the pension accumulation fund.

As of December 31, 2003, the Authority has paid its pension bill from the State in the amount of \$84,743, covering the period April 1, 2003 to March 31, 2004. The portion of this payment attributable to the year ended December 31, 2003 is presented as an expense in the financial statements, together with the prepaid amount from the prior year. The balance is treated as a prepaid expense and reported on the Balance Sheet in "Other Assets" in the General Fund.

9. COMMITMENTS AND CONTINGENCIES

The Authority was not a defendant in any litigation as of December 31, 2003. Authority employees are entitled to accumulate unused vacation and holiday leave, and to be paid for that leave, up to amounts specified by the Authority, upon separation. The amount is limited for vacation pay and unlimited for holiday pay. At current salary levels, the Authority's liability for payment of this accumulation is \$164,532, which includes the employers' share of taxes and other withholdings. Authority employees are permitted to accrue unused sick leave without limitation and, upon certain conditions, apply the salary value of the leave upon retirement to the cost of the retiree's share of his or her health insurance premium. At current salary levels, the Authority's liability for payment of this accumulation is \$148,353, which includes only the salary value of the time accumulated. Authority employees who were previously employed by the State or a State agency or authority were permitted to transfer leave balances to the Authority. The value of these

transferred balances is included in the foregoing amounts. The value of accrued unused leave is included as a non-current liability in the Entity-wide Statement of Net Assets.

10. SUBSEQUENT EVENT

On April 8, 2004 the Authority sold \$603,360,000 of fixed and variable rate (auction rate securities) bonds. The proceeds were used to finance new County capital needs, refund for savings County debt, and refund for savings NIFA debt. The borrowing was structured as two transactions. The first is a \$153,360,000 fixed rate bond. The second is a \$450,000,000 Variable Rate Bond (Auction Rate Securities) that NIFA hedged by entering into a swap with Goldman Sachs' Mitsui Marine Derivative Products (Aaa counterparty rating) and UBS AG (Aa2), for the life of the bond, requiring that NIFA pay to the swap providers a fixed rate and NIFA will receive a variable rate based on London Interbank Offered Rate (LIBOR) which is expected to closely approximate the variable rate paid on the auction rate bonds based on historical levels.

* * * * *

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Series 2004I, J and K ARS Bonds in definitive form, Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, proposes to render its final approving opinion in substantially the following form:

[Date of Closing]

NASSAU COUNTY INTERIM
FINANCE AUTHORITY

Ladies and Gentlemen:

We have examined a record of proceedings of the Nassau County Interim Finance Authority (the “Authority”) relating to the issuance of \$150,000,000 principal amount of Nassau County Interim Finance Authority Sales Tax Secured Bonds, Series 2004I, J and K ARS (the “Series 2004I, J and K ARS Bonds”), as more particularly described below. The Series 2004I, J and K ARS Bonds are dated, bear interest, mature, are subject to redemption and are secured as set forth in the Indenture (hereinafter defined). All terms defined in the Indenture and used herein shall have the meanings assigned in the Indenture, except where the context hereof otherwise requires.

The Series 2004I, J and K ARS Bonds are issued as Senior Bonds under the Indenture. The Authority is authorized to issue additional Senior Bonds (the Series 2004I, J and K ARS Bonds, together with all Senior Bonds heretofore and hereafter issued, the “Bonds”) only on the terms and conditions set forth in the Indenture and all such Bonds shall with the Series 2004I, J and K ARS Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements in the Indenture.

The County of Nassau, New York (the “County”) has requested the Authority to undertake the financing of certain “Financeable Costs” (as defined in the Act), and the Authority and the County have entered into a Financing Agreement dated as of October 1, 2000 (the “Agreement”) and such Agreement, in accordance with the Act, subject to a reservation of the Authority’s sale right to enforce certain provisions thereof, has been pledged by the Authority to secure the Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2004I, J and K ARS Bonds in order that interest on the Series 2004I, J and K ARS Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Authority, dated the date hereof (the “Arbitrage and Use of Proceeds Certificate”), in which the Authority and the County have made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2004I, J and K ARS Bonds, including but not limited to certain representations with respect to the use of the proceeds of the Series 2004I, J and K ARS Bonds and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the Authority and the County to take certain actions necessary to cause interest on the Series 2004I, J and K ARS Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Series 2004I, J and K ARS Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. The Authority has covenanted in the Indenture and the County has covenanted in the

Agreement to maintain the exclusion of the interest on the Series 2004I, J and K ARS Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In rendering the opinion in paragraph 11 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion of interest on the Series 2004I, J and K ARS Bonds from gross income for federal income tax purposes under Section 103 of the Code and (ii) compliance by the Authority and the County with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate and the Agreement as to such tax matters.

We have also examined one of said Series 2004I, J and K ARS Bonds as executed, and, in our opinion, the form of said Series 2004I, J and K ARS Bonds and its execution are regular and proper.

We are of the opinion that:

1. The Authority is a duly organized and validly existing public benefit corporation under the Constitution and laws of the State of New York, and such proceedings show lawful authority for the issuance and sale of said Series 2004I, J and K ARS Bonds pursuant to the Nassau County Interim Finance Authority Act, Title 1 of Article 10-D of the Public Authorities Law, constituting Chapter 43-A of the Consolidated Laws of the State of New York; as supplemented by Chapter 179 of the Laws of 2000 and as amended by Chapter 528 of the Laws of 2002 (the "Act"), and the Indenture between the Authority and The Bank of New York, as "Trustee, dated as of October 1, 2000, as amended and supplemented, including as supplemented by the Twelfth Supplemental Indenture, dated as of December 1, 2004 (such Indenture as from time to time amended or supplemented by said and other Supplemental Indentures being herein called the "Indenture").
2. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid with respect to all provisions thereof material to the subject matter of this opinion letter. The Series 2004I, J and K ARS Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding obligations of the Authority payable from the Revenues (hereinafter defined) pledged and the other collateral provided therefore in the Indenture. The Bonds do not constitute a debt of the State or the County, and neither the State nor the County shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority.
3. The Act validly provides for (a) the payment to the Authority of sales and compensating use tax net collections paid or payable to the Authority pursuant to §1261 of the Tax Law or a successor statute (the "Sales Tax Revenues"), (b) the Authority's pledge to the Trustee of the Sales Tax Revenues, the Accounts and the money and investments on deposit therein (collectively, the "Revenues"), and (c) the application of proceeds of the Series 2004I, J and K ARS Bonds to finance Financeable Costs.
4. The Sales Tax Revenues are subject neither to appropriation by the County or the State, nor to prior claims in favor of other obligations, or purposes of the County or the State except as specified in §1261 of the Tax Law with respect to overpayments and the State's reasonable costs in administering, collecting and distributing such taxes. Upon any failure of the State Legislature to make required appropriations for State debt obligations, the Sales Tax Revenues would not constitute revenues applicable to the General Fund of the State; hence Article 7, Section 16 of the State Constitution does not mandate such money to be set apart by the State Comptroller for the payment of State obligations.

5. The Indenture (a) has been duly and lawfully authorized, executed and delivered by the Authority, (b) creates the valid pledge of Revenues and other collateral that it purports to create and (c) is a valid and binding agreement, enforceable in accordance with its terms, of the Authority, and to the extent specified in the Act, the State. The. lien of the. Indenture on the Revenues for the security of the Bonds is prior to all other items thereon. The pledge of Revenues and other collateral made by the Authority in the Indenture is valid, binding and perfected without any physical delivery of the collateral or further act, and the lien thereof is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of such parties' notice thereof.
6. The Act does not restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the taxes payable to the Authority pursuant to §1261 of the Tax Law or fees, or appropriations relating thereto, nor does it obligate the State to make any payments not specified in the Act or impose any taxes to satisfy the obligations of the Authority.
7. The Agreement has been duly authorized, executed and delivered by the Authority and assuming due and proper authorization; execution and delivery by the County, constitutes a legal, valid and binding agreement of the parties (including with respect to the County, its covenant contained in Section 4.02), enforceable in accordance with its terms.
8. Pursuant to the Act, the State Comptroller shall pay the Sales Tax Revenues to the Trustee; to be applied first pursuant to the Authority's contracts with the Holders of the Bonds, then to pay the Authority's operating expenses, and then pursuant to the Authority's. agreements with the County, which shall require the Authority to transfer the balance of such taxes to the County as frequently as practicable all of which is provided for in the Indenture and the Agreement.
9. The Authority is not authorized by State law to file a petition in bankruptcy pursuant to Title 11 (the "Bankruptcy Code") of the United States Code. Pursuant to the Act, upon issuance of the Bonds and so long as any Bonds are Outstanding, neither the County nor any "covered organization" (as defined in the Act) is authorized to file a petition for protection from its creditors under either the Bankruptcy Code or the laws of the State.
10. No registration with, consent of, or approval by any governmental agency or commission that has not been obtained is necessary for the execution and delivery of the Series 2004I, J and K ARS Bonds.
11. Under existing statutes and court decisions, interest on the Series 2004I, J and K ARS Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Under the Code, interest on the Series 2004I, J and K ARS Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed with respect to such corporations by the Code.
12. Under the Act, interest on the Series 2004I, J and K ARS Bonds is exempt from personal income taxes reposed by the State or any political subdivision thereof (including The City of New York).

Except as stated in paragraphs 11 and 12 above, we express no opinion as to any federal, state or local tax consequences arising with respect to the Series 2004I, J and K ARS Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for

federal income tax purposes of interest on the Series 2004I, J and K ARS Bonds, or under State of New York and local tax law.

The rights of the Holders of the Series 2004I, J and K ARS 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 except as specifically stated above, and may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2004I, J and K ARS Bonds.

This opinion is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

Very truly yours,

APPENDIX F

SPECIMEN BOND 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.: CIFG NA-#

CUSIP:

Effective Date:

OBLIGATIONS:

CDC IXIS FINANCIAL GUARANTY NORTH AMERICA, INC. ("CIFG NA"), 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, CIFG NA irrevocably and unconditionally guarantees:

(1) payment of any amount required to be paid under this Policy by CIFG NA following CIFG NA'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 such Policyholder that is subsequently avoided in whole or in part as a preference payment under applicable law, all as described in Endorsement No. 1 hereto.

CIFG NA shall be subrogated to the rights of each Policyholder to receive payments under the Obligations to the extent of any payment by CIFG NA hereunder. Upon disbursement in respect of an Obligation, CIFG NA 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. "Effective Date," "Issuer" and "Obligations" mean, respectively, the Effective Date, Issuer and Obligations referenced above. "Policyholder" means, if the Obligations are in book-entry form, the registered owner of any Obligation as indicated on the registration 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 thereafter; payments which become due on an accelerated basis as a result of (a) a default by the Issuer or any other person, (b) 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 CIFG NA 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" has the meaning set forth in Endorsement No. 1 hereto.

This Policy sets forth in full the undertaking of CIFG NA, 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 CIFG NA or to which CIFG NA has given its written consent) or by the merger, consolidation or dissolution of the Issuer. The premiums paid in respect of 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 premium due to CIFG NA. Payments under this Policy may not be accelerated except at the sole option of CIFG NA.

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

APPENDIX G

COUNTY REFUNDED BONDS

Upon delivery of the Nassau County Interim Finance Authority Sales Tax Secured Bonds, Series 2004H and Sales Tax Secured Variable Rate Bonds, Series 2004I, J and K ARS, an escrow will be established from a portion of the Series 2004H Bonds to economically defease the Nassau County Serial General Improvement Bonds and Serial General Improvement Refunding Bonds listed in the table below. The escrow will be comprised of a combination of uninvested money and direct, noncallable obligations of the United States of America.

Please note that these bonds will not be legally defeased.

	<u>Bond</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Call Date (if applicable)</u>	<u>Call Price</u>
County Series 1999B General Imp. Bonds	SERIAL	06/01/2013	5.250%	\$6,905,000	06/01/2009	102 %
County Series 1999B General Imp. Bonds	SERIAL	06/01/2014	5.250	7,005,000	06/01/2009	102
County Series 1999B General Imp. Bonds	SERIAL	06/01/2015	5.250	7,005,000	06/01/2009	102
County Series 1999B General Imp. Bonds	SERIAL	06/01/2021	5.250	7,005,000	06/01/2009	102
County Series 2000E General Imp. Bonds	SERIAL	03/01/2012	5.500	4,840,000	03/01/2010	100
County Series 2000E General Imp. Bonds	SERIAL	03/01/2013	5.750	4,955,000	03/01/2010	100
County Series 1996 S General Imp. Bonds	SERIAL	03/01/2008	5.100	6,055,000	03/01/2006	101
County Series 1996 S General Imp. Bonds	SERIAL	03/01/2009	5.100	6,105,000	03/01/2006	101.5
County Series 1996 S General Imp. Bonds	SERIAL	03/01/2010	5.100	6,150,000	03/01/2006	102
County Series 1996 S General Imp. Bonds	SERIAL	03/01/2011	5.100	5,790,000	03/01/2006	102.5
County Series 1996 S General Imp. Bonds	SERIAL	03/01/2012	5.125	5,820,000	03/01/2006	103
County Series 1996 S General Imp. Bonds	SERIAL	03/01/2013	5.125	5,860,000	03/01/2006	103
County Series 1996 S General Imp. Bonds	SERIAL	03/01/2014	5.125	5,900,000	03/01/2006	103
County Series 1996 S General Imp. Bonds	SERIAL	03/01/2015	5.125	5,935,000	03/01/2006	103
County Series 1996 T General Imp. Bonds	SERIAL	09/01/2008	5.200	5,240,000	09/01/2006	102
County Series 1996 T General Imp. Bonds	SERIAL	09/01/2011	5.200	5,195,000	09/01/2006	102
County Series 1996 T General Imp. Bonds	SERIAL	09/01/2012	5.200	5,275,000	09/01/2006	102
County Series 1996 T General Imp. Bonds	SERIAL	09/01/2013	5.200	5,470,000	09/01/2006	102
County Series 1996 T General Imp. Bonds	SERIAL	09/01/2014	5.200	5,450,000	09/01/2006	102
County Series 1996 T General Imp. Bonds	SERIAL	09/01/2015	5.200	5,505,000	09/01/2006	102
County Series 1998 Z General Imp. Bonds	SERIAL	09/01/2012	5.000	7,720,000	09/01/2008	102
County Series 1998 Z General Imp. Bonds	SERIAL	09/01/2013	5.000	7,190,000	09/01/2008	102
County Series 1998 Z General Imp. Bonds	SERIAL	09/01/2014	5.000	7,335,000	09/01/2008	102
County Series 1998 Z General Imp. Bonds	SERIAL	09/01/2015	5.000	7,480,000	09/01/2008	102
County Series 1998 Z General Imp. Bonds	SERIAL	09/01/2016	5.000	7,670,000	09/01/2008	102
County Series 1998 Z General Imp. Bonds	SERIAL	09/01/2017	5.000	7,765,000	09/01/2008	102

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

SUMMARY OF TERMS i
SECTION I: Introduction 1
SECTION II: Sources of Payment and Security for the Bonds.... 2
 General 2
 Sales Tax Revenues..... 3
 Servicing—Sales Tax Collection..... 6
 Authority Bonds..... 7
 Debt Service Coverage on Outstanding Senior Bonds..... 7
 Additional Bonds..... 8
 Application of Revenues 9
 Retention Procedures 11
 Agreements of the State and the County 11
 Bond Insurer and the Financial Guaranty Insurance Policy 12
SECTION III: The Series 2004I, J and K ARS Bonds 13
 Description of the Series 2004I, J and K ARS Bonds 13
 ARS Bonds..... 14
 Redemption Provisions..... 21
 Notice of Redemption 23
 Debt Service Requirements..... 23
 Plan of Finance and Use of Proceeds..... 24
 Swap Contracts 24
 Sources and Uses of Funds..... 25
 Book-Entry Only System..... 25
 Other Information 27
SECTION IV: The Authority 28
 Purpose and Operations 28
 Directors and Management..... 28
 Financing Agreement 29
 Authority Monitoring and Control Functions..... 29
SECTION V: No Litigation..... 30
SECTION VI: Tax Matters..... 30
 Certain Ongoing Federal Tax Requirements and Covenants..... 31
 Certain Collateral Federal Tax Consequences 31
 Legislation 31
SECTION VII: Ratings 31
SECTION VIII: Verification of Mathematical Computations 32
SECTION IX: Underwriting 32
SECTION X: Approval of Legality 32
SECTION XI: Financial Statements 32
SECTION XII: Continuing Disclosure Under SEC Rule 15c2-12 32
SECTION XIII: Legal Investment..... 34
SECTION XIV: Trustee 34
SECTION XV: Miscellaneous..... 34

APPENDIX A— ECONOMIC AND DEMOGRAPHIC
 PROFILE A-1
APPENDIX B—SUMMARY OF INDENTURE AND
 AGREEMENT B-1
APPENDIX C—ARS PROVISIONS C-1
APPENDIX D—FINANCIAL STATEMENTS AND
 INDEPENDENT AUDITORS’ REPORT D-1
APPENDIX E—FORM OF BOND COUNSEL OPINION..... E-1
APPENDIX F—SPECIMEN BOND INSURANCE POLICY..... F-1
APPENDIX F—COUNTY REFUNDED BONDS..... G-1

**NASSAU COUNTY
INTERIM FINANCE AUTHORITY**

\$150,000,000

**Sales Tax Secured Variable Rate Bonds,
Series 2004I, J and K ARS**

OFFERING CIRCULAR

November 18, 2004

