New York City Deferred Compensation Bond Fund

Second Quarter 2006 | As of June 30, 2006

Bond Fund Objective

The Bond Fund seeks maximum total return, investing for both current income (bond coupons and dividends) and capital appreciation (bond price movements), consistent with preservation of capital and prudent investment management.

Portfolio Structure

- The Bond Fund focuses on intermediate maturity, fixed income securities.
- The Bond Fund maintains an average duration (sensitivity to interest rates) ranging between three and six years based on PIMCO's forecast for interest rates.
- Investments are made in fixed income securities and can include U.S. government and corporate bond securities, mortgage and other asset- backed securities, U.S. dollar and non-U.S. dollar-denominated securities of non-U.S. issuers and money market instruments.

Investment Process

In managing the Bond Fund, we employ both top down and bottom-up strategies:

- Our top-down investment process starts with an annual secular forum at which PIMCO investment professionals develop a three- to five-year outlook for the global economy and interest rates. Our secular or long-term outlook determines the basic portfolio parameters, including duration, yield-curve positioning (allocation across various maturities), sector weightings and credit quality.
- Bottom-up strategies drive our security selection process and facilitate the identification and analysis of undervalued securities. Here, we employ advanced proprietary analytics and expertise in all major fixed income sectors.

Bond Fund Statistics

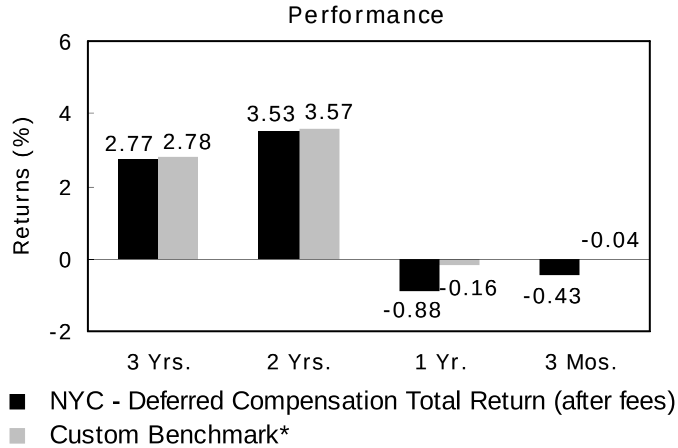
Duration	5.11
Average Maturity	7.92
Average Quality	AAA
Yield to Maturity	5.95
Average Coupon	5.34
Fund Assets	$213,705,238
Inception Date	05/30/01

Sector Diversification

U.S. Treasury / Agency	12%
Mortgage-Backed	70%
Corporates	7%
Foreign	5%
Other	4%
Net Cash & Equivalents	2%

Performance of the Bond Fund

PIMCO began managing the Bond Fund for your plan in May 2001. Because this is a customized fund for your plan, performance numbers only date back to this inception date. As reflected in the table below, the Bond Fund has posted attractive absolute returns in spite of very volatile financial markets during the period since the inception of the Fund.



All periods longer than 1 year are annualized.

* Custom Benchmark consists of 80% LB Aggregate, 10% ML High Yield, 10% Citigroup Non-US WGBI Hedged.

Note: The NYC Deferred Compensation Bond Fund is not a mutual fund as defined by the Investment Company Act of 1940, but is a separate portfolio that is managed by Pacific Investment Management Company on behalf of the NYC Deferred Compensation Plan.

Past performance is no guarantee of future results. Performance figures are presented after management fees, commissions, other expenses, and the deduction of actual investment advisory fees; but do not reflect the deduction of custodial fees, if any. The "after fees" performance figures above also reflect the reinvestment of earnings.

Applications for the Bond Fund

The Bond Fund offers the possibility of higher investment returns than money market instruments. It attempts to find value in every sector of the bond market, thereby seeking to add returns and reduce risk. Investors seeking to balance more aggressive equity holdings with a more stable investment option should consider the Bond Fund. History has shown that there is a relatively low correlation between equity and fixed income markets. Therefore, investing in the Bond Fund in combination with investments in equities allows for greater diversification and helps to reduce the risk of swings in a portfolio's value.

About the Investment Management Company

PIMCO is a leading, global institutional money manager specializing in fixed-income investments headquartered in Newport Beach, CA. The firm offers innovative fixed income strategies designed to outperform benchmark indices over longer time periods. Clients include corporate pension plans, foundations, endowments, public retirement plans, corporate treasury departments, governments, high net-worth families and retail investors.

In addition to being one of the largest active, fixed-income managers in America, PIMCO offers service in London, Munich, Singapore, Sydney and Tokyo. In 2000, European insurance giant Allianz AG acquired a majority interest in PIMCO and made the firm its global fixed-income manager.

- Assets under management: $617.4B
- Clients include over half of the Fortune 100
- Number of investment professionals: 298

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In an environment where interest rates may trend upward, rising rates will negatively impact fixed income securities. Bonds with a longer duration (a measure of the expected life of a security) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. An investment in high-yield securities securities generally involves greater risk to principal than an investment in higher-rated bonds. Mortgage-backed and Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. Investing in non-US securities may entail risk due to non-US economic and political developments and may be enhanced when investing in emerging markets. Treasury Securities are guaranteed by the US government, however the shares of the Fund are not. Treasury securities, if held to maturity, offer a fixed rate of return and fixed principal value. Pacific Investment Management Company LLC, 840 Newport Center Drive, Newport Beach, CA 92660