

**NEW ISSUE**

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

**\$200,000,000**  
**The City of New York**

**General Obligation Bonds, Fiscal 2001 Series H**

**\$100,000,000 Taxable Multi-Modal Bonds**  
consisting of  
**Auction Rate Bonds Subseries H-M**  
**(Monday Auction)**  
**Due March 15, 2029**

**\$100,000,000 Tax-Exempt Multi-Modal Bonds**  
consisting of  
**Auction Rate Bonds Subseries H-T**  
**(Tuesday Auction)**  
**Due March 15, 2031**

Dated: Date of Delivery

Price: 100%

The Bonds will be issued as Auction Rate Bonds and are issuable initially in authorized denominations of \$25,000 or any integral multiple thereof. The Bonds will be issued as registered bonds and will be registered in the nominee name of The Depository Trust Company ("DTC"), securities depository for the Bonds.

Interest on the Bonds will accrue during each Auction Period and will be payable in arrears on each Interest Payment Date. The first Auction Period commences on the date of delivery of the Bonds and ends on Monday, April 9, 2001 for the Taxable Bonds and on Tuesday, April 10, 2001 for the Tax-Exempt Bonds. The first Interest Payment Date is on Tuesday, April 10, 2001 for the Taxable Bonds and Wednesday, April 11, 2001 for the Tax-Exempt Bonds. Succeeding Interest Payment Dates will occur on each Tuesday for the Taxable Bonds and on each Wednesday for the Tax-Exempt Bonds thereafter, or if any such day is not a Business Day, the next succeeding Business Day and at maturity. The rate of interest on the Bonds for the first Auction Period will be determined by Goldman, Sachs & Co. as Broker-Dealer. Interest rates for the Bonds for subsequent Auction Periods will be determined in accordance with the Auction Procedures described in "APPENDIX B—Auction Procedures".

The Bonds are subject to redemption prior to maturity as described herein.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Bonds.

WHILE THE BONDS MAY IN THE FUTURE BE CONVERTED TO MODES OTHER THAN THE AUCTION RATE MODE, THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE AUCTION RATE MODE AND ONLY WHILE REGISTERED IN THE NAME OF DTC.

The Bonds are offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriters, subject to the approval of the legality of the bonds by Brown & Wood LLP, New York, New York, Bond Counsel to the City, and subject to certain other conditions. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the City by Morgan, Lewis & Bockius LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by Clifford Chance Rogers & Wells LLP, New York, New York. It is expected that the Bonds will be available for delivery in New York, New York, on or about March 29, 2001.

Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated are the Underwriters and Broker-Dealers for the Taxable Bonds. Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Smith Barney Inc. are the Underwriters and Broker-Dealers for the Tax-Exempt Bonds.

**Goldman, Sachs & Co.**

**Merrill Lynch & Co.**

**Morgan Stanley Dean Witter**

**Salomon Smith Barney**

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No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make any representations in connection with the Bonds or the matters described herein, other than those contained in this Official Statement (which term includes, unless the context otherwise requires, the information described in SECTION I: INCLUSION BY SPECIFIC REFERENCE) and if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. No representations are made or implied by the City as to any offering by the Underwriters or others of any derivative instruments.

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

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

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

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

This Official Statement provides certain information concerning The City of New York (the “City”) in connection with the sale of the adjustable rate portion of the City’s General Obligation Bonds, Fiscal 2001 Series H. The \$200,000,000 Multi-Modal Bonds of Fiscal 2001 Series H, together with \$365,000,000 fixed rate bonds of Fiscal 2001 Series H not offered hereby, are herein called the “Series H Bonds.” The Bonds consist of \$100,000,000 Tax-Exempt Multi-Modal Bonds (the “Tax-Exempt Bonds”) and \$100,000,000 Taxable Multi-Modal Bonds (the “Taxable Bonds” and together with the Tax-Exempt Bonds, the “Bonds” or the “Multi-Modal Bonds”). Capitalized items not otherwise defined in this Official Statement are defined in “APPENDIX A—Definitions”.

**INTRODUCTORY STATEMENT**

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

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

**SECTION I: INCLUSION BY SPECIFIC REFERENCE**

Portions of the City’s Official Statement dated March 22, 2001, delivered herewith and relating to \$365,000,000 fixed rate General Obligation Bonds, Fiscal 2001 Series H, subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

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

The fixed rate bonds described in such Official Statement are not offered by this Official Statement.

## SECTION II: THE BONDS

### General

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

The Bonds are initially being issued as Auction Rate Bonds. The Auction Date for each Subseries of Bonds will generally occur every 7 days.

### Payment Mechanism

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

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

### Enforceability of City Obligations

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

The rights of the owners of Bonds to receive interest, principal and redemption premium, if any, from the City could be adversely affected by a restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of City securities (including the Bonds) to payment from money retained in the Fund or from other sources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such money might then be available for the payment of all City creditors generally. Judicial enforcement of the City's obligation to make payments into the Fund, of the obligation to retain certain money in the Fund, of the rights of holders of bonds and notes of the City to money in the Fund, of the obligations of the City under the City Covenants and of the State under the State Pledge and Agreement (in each case, as defined in

“SECTION II: THE BONDS—Certain Covenants and Agreements”) may be within the discretion of a court. For further information concerning rights of owners of Bonds against the City, see “SECTION VIII: INDEBTEDNESS—Indebtedness of the City and Certain Other Entities”, included herein by specific reference.

### **Certain Covenants and Agreements**

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

The State pledges and agrees in the Financial Emergency Act that the State will not take any action that will impair the power of the City to comply with the covenants described in the preceding paragraph (the “City Covenants”) or any right or remedy of any owner of the Bonds to enforce the City Covenants (the “State Pledge and Agreement”). The City will covenant to make continuing disclosure with respect to the Bonds (the “Undertaking”) as summarized below under “SECTION IV: OTHER INFORMATION—Continuing Disclosure Undertaking.” In the opinion of Bond Counsel, the enforceability of the City Covenants, the Undertaking and the State Pledge and Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and may also be subject to the exercise of the State’s police powers and of judicial discretion in appropriate cases. The City Covenants, the Undertaking and the State Pledge and Agreement shall be of no force and effect with respect to any Bonds (“Defeased Bonds”) if there is a deposit in trust with a bank or trust company of sufficient cash or cash equivalents to pay when due all principal of, applicable redemption premium, if any, and interest on such Bonds. For the purpose of determining whether Bonds shall be deemed to have been defeased, the interest to come due on such Multi-Modal Bonds shall be calculated at the maximum applicable rate; and if, as a result of such Multi-Modal Bonds having borne interest at less than the maximum rate for any period, the total amount on deposit for the payment of interest on such Multi-Modal Bonds exceeds the total amount required, the balance shall be paid to the City. In addition, Multi-Modal Bonds shall be deemed defeased only if there shall have been deposited money in an amount sufficient for the timely payment of the maximum amount of principal of and interest on such Multi-Modal Bonds that could become payable to the Bondholders upon the exercise of any applicable optional or mandatory tender for purchase.

### **Use of Proceeds**

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

### **Redemption**

The Auction Rate Bonds are subject to redemption prior to maturity at the option of the City in whole or in part on any Interest Payment Date for the Bonds to be redeemed at a redemption price of 100% plus interest accrued thereon to the date of redemption.

The Multi-Modal Bonds are Term Bonds subject to mandatory sinking fund redemption, by lot within each Subseries on each date at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below.

<u>Taxable Bonds due March 15, 2029</u>		<u>Tax-Exempt Bonds due March 15, 2031</u>	
<u>March 15*</u>	<u>Principal Amount to be Redeemed (In Thousands)</u>	<u>March 15*</u>	<u>Principal Amount to be Redeemed (In Thousands)</u>
2011	\$ 1,900,000	2019	\$13,975,000
2012	12,500,000	2020	10,800,000
2017	5,000,000	2021	9,325,000
2018	5,250,000	2022	4,625,000
2019	6,250,000	2027	14,225,000
2022	5,200,000	2028	12,625,000
2023	10,400,000	2030	16,775,000
2024	11,075,000	2031(1)	17,650,000
2025	11,800,000		
2026	12,550,000		
2028	2,325,000		
2029(1)	15,750,000		

\* While outstanding as Auction Rate Bonds, sinking fund payments will be made on the first Interest Payment Date following March 15.  
(1) Stated maturity.

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

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

### **Bond Insurance**

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

Concurrently with the issuance of the Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy (the “Policy”) for the Bonds. The Policy unconditionally guarantees the payment of the portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (“Financial Guaranty’s Fiscal Agent”), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the City’s Fiscal Agent of the nonpayment of such amount by the City. Financial Guaranty’s Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by Financial Guaranty’s Fiscal Agent of evidence satisfactory to Financial Guaranty’s Fiscal Agent of the owner’s right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner’s rights to payment of such principal and interest shall be vested in Financial Guaranty. The term “nonpayment” in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to such section for a discussion of the ratings, if any, assigned to the City's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of December 31, 2000, the total capital and surplus of Financial Guaranty was \$1.089 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: (212) 480-5187).

### **Book-Entry Only System**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. Reference to the Bonds under the caption "Book-Entry Only System" shall mean all Bonds that are deposited with DTC from time to time. The Bonds will be issued as one fully-registered Bond certificate for each Subseries, each in the aggregate principal amount thereof, and will be registered in the name of Cede & Co. (DTC's partnership nominee) and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its direct participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., 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 securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (under this caption, "*Book-Entry Only System*", a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial

Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. 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 Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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

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

According to DTC, the foregoing information with respect to DTC has been provided for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

Unless otherwise noted, certain of the information contained in this subsection "Book-Entry-Only System" has been extracted from information furnished by DTC. Neither the City nor the Underwriter makes any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

### **SECTION III: AUCTION RATE BONDS**

#### **Auction Period and Auction Rate**

The first Auction Period commences on the date of delivery of the Bonds and ends on Monday, April 9, 2001 for the Taxable Bonds and on Tuesday, April 10, 2001 for the Tax-Exempt Bonds. Thereafter, the Auction Period for the Bonds will be an Auction Period of generally seven days, unless such Auction Period is changed to another Auction Period in accordance with Appendix B hereto. For any Auction Period other than the first Auction Period, each Bond will bear interest at an Auction Period Rate determined on each Auction Date for each Auction Period in accordance with Appendix B hereto.

Each Bond will bear interest at the applicable Auction Period Rate, which will be established pursuant to the Auction Procedures described in "APPENDIX B—Auction Procedures" and elsewhere herein. If the Auction Agent fails to determine the Auction Rate for any Auction Period, then the Auction Period Rate for such Auction Period will be the No Auction Tax-Exempt Rate with respect to the Tax-Exempt Bonds and the No Auction Taxable Rate with respect to the Taxable Bonds.

#### **Interest Payment Dates**

While Auction Rate Bonds are in the seven-day Auction Period, interest will be payable initially on April 10, 2001 for the Taxable Bonds and April 11, 2001 for the Tax-Exempt Bonds and succeeding Interest Payment Dates will occur on each Tuesday for the Taxable Bonds and on each Wednesday for the Tax-Exempt Bonds thereafter, or if any such day is not a Business Day, the next succeeding Business Day and at maturity. During Auction Periods other than the seven-day Auction Period, interest on the Bonds will be payable on an Interest Payment Date as described in Appendix A hereto. The record date for the Bonds is the Business Day preceding each Interest Payment Date.

#### **Conversion of Auction Rate Bonds**

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

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

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

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

#### **Changes in Auction Procedures**

The Auction Definitions and Procedures may be amended by obtaining the consent of the owners of the Auction Rate Bonds and the Insurer for such Bonds. All owners will be deemed to have consented if on the first

Auction Date occurring at least 20 days after the Fiscal Agent mailed notice to such owners (i) the Auction Rate determined for such date is the Winning Bid Rate and (ii) there has been delivered to the City and the Fiscal Agent a Favorable Opinion of Bond Counsel.

Changes in Auction Periods and Auction Dates do not require the amendment of the Auction Procedures or the consent of Bondholders. See "APPENDIX B -- Auction Procedures -- Changes in Auction Period or Auction Date."

### **Supplemental Certificates**

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

(a) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision relating to the Multi-Modal Bonds;

(b) to identify particular Multi-Modal Bonds for purposes not inconsistent with the Certificate, including credit or liquidity support, remarketing, serialization and defeasance; or

(c) to insert such provisions with respect to the Multi-Modal Bonds as are necessary or desirable and are not to the prejudice of the Bondholders.

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

### **Calculation of Maximum and Minimum Auction Rates**

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

### **Auction Agent**

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

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

### **Broker-Dealers**

The Auction Agent will enter into Broker-Dealer Agreements with Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated with respect to the Taxable Bonds

and Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Smith Barney Inc. with respect to the Tax-Exempt Bonds, the initial Broker-Dealers specified by the City as the beneficial owners' agents. The City may, from time to time, approve one or more additional Broker-Dealers. Any Broker-Dealer may be removed upon 30 days' notice, at the request of the City, if a Broker-Dealer Agreement is in effect immediately following such removal. Any Broker-Dealer may resign upon 30 days' notice, if a Broker-Dealer Agreement is in effect immediately following such resignation.

### **Special Considerations Relating to the Bonds**

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

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

The Broker-Dealer Agreements will provide that a Broker-Dealer may submit Orders 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 the Broker-Dealer Agreements, the Broker-Dealers will agree to handle its customers' orders in accordance with its duties under applicable securities laws and rules.

Goldman, Sachs & Co. has advised the City that it intends initially to make a market for the Bonds between Auctions. However, Goldman, Sachs & Co. is not obligated to make such markets, and no assurance can be given that secondary markets therefor will develop.

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

## **SECTION IV: OTHER INFORMATION**

### **Tax Exemption**

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

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

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

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

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

### **Taxable Bonds**

The following discussion addresses certain Federal income tax consequences to United States holders of the Taxable Bonds. It does not discuss all the tax consequences that may be relevant to particular holders. Each holder should consult his own tax adviser with respect to his particular circumstances.

Interest on the Taxable Bonds will be includable in the gross income of the owners thereof for purposes of Federal income taxation. Interest on the Taxable Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City.

### **Ratings**

The City expects that ratings on the Bonds will be received prior to March 29, 2001. The Bonds are expected to be rated Aaa by Moody's, AAA by Standard & Poor's and AAA by Fitch, in each case based upon the understanding that, upon delivery, the Bonds will be entitled to the benefits of the Policy. Such ratings reflect only the views of Moody's, Standard & Poor's and Fitch, from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of the Bonds. On July 16, 1998, Standard & Poor's revised its rating of City bonds to A- from BBB+. On September 13, 2000, Standard & Poor's revised its rating of City bonds upward to A. Moody's rating of City bonds was revised in August 2000 to A2 from A3. On September 15, 2000, Fitch revised its rating of City bonds upward to A+. Moody's, Standard & Poor's and Fitch currently rate the City's outstanding general obligation bonds A2, A and A+, respectively.

### **Continuing Disclosure Undertaking**

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

- (a) within 185 days after the end of each fiscal year, to each nationally recognized municipal securities information repository and to any New York State information depository, core financial information and operating data for the prior fiscal year including (i) the City's audited general purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii)

material historical quantitative data on the City's revenues, expenditures, financial operations and indebtedness generally of the type included herein by specific reference as Sections IV, V and VIII and under the captions "1996-2000 Summary of Operations" in Section VI and "Pension Systems" in Section IX of the Official Statement of the City included herein by specific reference; and

(b) in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to any New York State information depository, notice of any of the following events with respect to the securities, if material:

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

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

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

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

The City expects to provide the information described in clause (a) above by delivering its first bond official statement that includes its financial statements for the preceding fiscal year or, if no such official statement is issued by the 185-day deadline, by delivering the Comprehensive Annual Financial Report of the Comptroller by such deadline.

At the date hereof, there is no New York State information depository and the nationally recognized municipal securities information repositories are; Bloomberg Municipal Repository, P.O. Box 840, Princeton, New Jersey 08542-0840; Standard & Poor's J.J. Kenny Repository, Inc., 55 Water Street, 45th Floor, New York, New York 10041; DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024; and Interactive Data, 100 William Street, New York, New York 10038, Attn: Repository.

No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Undertaking or for any remedy for breach thereof, unless such Bondholder shall have filed with the Corporation Counsel of the City evidence of ownership and a written notice of and request to cure such breach, and the City shall have refused to comply within a reasonable time. All Proceedings shall be instituted

only as specified herein, in the Federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the outstanding securities benefitted by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

Any amendment to the Undertaking may only take effect if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of award of the securities after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the City (such as, but without limitation, the City's financial advisor or bond counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the "impact" (as that word is used in the letter from the staff of the SEC to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the Undertaking, ceases to be in effect for any reason, and the City elects that the Undertaking shall be deemed terminated or amended (as the case may be) accordingly.

For purposes of the Undertaking, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such security, subject to certain exceptions, as set forth in the Undertaking. An assertion of beneficial ownership must be filed, with full documentary support, as part of the written request to the Corporation Counsel described above.

#### **Financial Advisor**

The City retains Public Resources Advisory Group ("PRAG") to act as financial advisor with respect to the City's financing program. PRAG is acting as financial advisor for the issuance of the Bonds.

#### **Underwriting**

The Bonds are being purchased for reoffering by the Underwriters, for whom Goldman, Sachs & Co. is acting as lead manager.

The compensation for services rendered in connection with the underwriting of the Bonds shall be \$643,135.74. All of the Bonds will be purchased if any are purchased.

#### **Legal Opinions**

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

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

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

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

**Further Information**

The references herein to, and summaries of, Federal, State and local laws, including but not limited to the State Constitution, the Financial Emergency Act, the Moratorium Act, the MAC Act and the City Charter, and documents, agreements and court decisions, including but not limited to the Financial Plan, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions, copies of which are available for inspection during business hours at the office of the Corporation Counsel.

Copies of the most recent financial plan submitted to the Control Board are available upon written request to the Office of Management and Budget, General Counsel, 6th Floor, 75 Park Place, New York, NY 10007, and copies of the published Comprehensive Annual Financial Reports of the Comptroller are available upon written request to the Office of the Comptroller, Deputy Comptroller for Public Finance, 5th Floor, Room 517, Municipal Building, One Centre Street, New York, NY 10007. Financial plans are prepared quarterly, and the Comprehensive Annual Report of the Comptroller is typically prepared at the end of October of each year.

Neither this Official Statement nor any statement which may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Bonds.

THE CITY OF NEW YORK

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## DEFINITIONS

In addition to the words and terms elsewhere defined herein, or whose defined meanings are included by specific reference, the following words and terms as used in this Official Statement have the following meanings with respect to the Auction Rate Bonds unless the context otherwise indicates:

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

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

“Auction Agent” means The Bank of New York and any successor thereto.

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

“Auction Date” means (1) if the Bonds are in a daily Auction Period, each Business Day, (2) if the Bonds are in a Special Auction Period, the last Business Day of the Special Auction Period, and (3) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); except that (a) the last Auction Date with respect to Bonds in an Auction Period other than a daily Auction Period or Special Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for such Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the Maturity Date for such Bonds; (b) if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (i) the Business Day next preceding the Conversion Date for such Bonds or (ii) the Business Day next preceding the Maturity Date for the Bonds; and (c) the last Business Day of a Special Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

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

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

“Auction Period” means (i) a Special Auction Period, (ii) with respect to Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day, (iii) with respect to Bonds in a seven-day Auction Period, a period of generally seven days beginning on a Tuesday for Taxable Bonds or a Wednesday for Tax-Exempt Bonds (or in each case, if later, the day following the prior Auction Period) and ending on a Monday for Taxable Bonds or a Tuesday for Tax-Exempt Bonds (or in each case, if such day is not immediately followed by a Business Day, the day immediately preceding the next Business Day), (iv) with respect to Bonds in a 28-day Auction Period, a period of generally 28 days beginning on a Monday (or 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), (v) with respect to Bonds in a 35-day Auction Period, a period of generally 35 days beginning on a Monday (or 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), (vi) with respect to Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction

Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period (unless such first day of the month is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (vii) with respect to 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 June 1 or December 1 (unless such June 1 or December 1 is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); *provided, however*, that (a) if there is a conversion of Bonds (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Monday with respect to the Taxable Bonds and Tuesday with respect to the Tax-Exempt Bonds (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

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

“Auction Procedures” means the procedures set forth in Appendix B.

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

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

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

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

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

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

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

“Default Tax-Exempt Rate” means, in respect of any Auction Period, a per annum rate equal to two hundred fifty percent (250%) of the Index determined on the Auction Date next preceding the first day of such Auction Period ; but never to exceed the Maximum Tax-Exempt Auction Rate.

“Default Taxable Rate” means a per annum rate equal to 250% of the Index on the Auction Date preceding an Auction Period; but never to exceed the Maximum Taxable Auction Rate.

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

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

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

“Fitch” means Fitch, Inc., and its successors and assigns.

“Insurer” shall mean Financial Guaranty Insurance Company.

“Interest Payment Date” means (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, and (c) when used with respect to a Special Auction Period of (i) seven or more but fewer than 92 days, the Business Day immediately following such Special Auction Period, or (ii) 92 or more days, each thirteenth Monday after the first day of such Special Auction Period or the next Business Day if such Monday is not a Business day and on the Business Day immediately following such Special Auction Period.

“Maximum Taxable Auction Rate” means, as of any Auction Date, the product of the Index multiplied by the Auction Multiple; but never to exceed the lesser of (x) 21% or (y) the maximum rate permitted by applicable law.

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

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

“Minimum Taxable Auction Rate” means, as of any Auction Date, with respect to the Taxable Bonds, as of any Auction Date, 90% of the Index in effect on such Auction Date.

“Moody’s” means Moody’s Investors Service, and its successors and assigns.

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

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

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

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

<u>Prevailing Rating</u>	<u>Percentage of Index</u>
AAA/AAA/Aaa	100%
AA/AA/Aa	110
A/A/A	125
Below A/A/A	150

but never to exceed the Maximum Taxable Auction Rate.

“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 Bonds in addition to the Bonds currently beneficially owned by such Person, if any.

“Prevailing Rating” means, (i) when such term is used in the definition of the No Auction Tax-Exempt Rate with respect to the Tax-Exempt Bonds and the No Auction Taxable Rate with respect to the Taxable Bonds, (a) AAA/AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and Fitch and a rating of Aaa or better by Moody’s, (b) if not AAA/AAA/Aaa, AA/AA/Aa if the Bonds shall have a rating of AA- or better by S&P and Fitch and a rating of Aa3 or better by Moody’s, (c) if not AAA/AAA/Aaa or AA/AA/Aa, A/A/A if the Bonds shall have a rating of A- or better by S&P and Fitch and a rating of A3 or better by Moody’s, and (d) if not AAA/AAA/Aaa, AA/AA/Aa or A/A/A, then below A/A/A, whether or not the Bonds are rated by any rating service, and (ii) when such term is used in the definition of the Auction Multiple, (a) AAA/AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and Fitch and a rating of Aaa or better by Moody’s, (b) if not AAA/AAA/Aaa, AA/AA/Aa if the Bonds shall have a rating of AA- or better by S&P and Fitch and a rating of Aa3 or better by Moody’s, (c) if not AAA/AAA/Aaa or AA/AA/Aa, A/A/A if the Bonds shall have a rating of A- or better by S&P and Fitch and a rating of A3 or better by Moody’s, (d) if not AAA/AAA/Aaa, AA/AA/Aa or A/A/A, BBB/BBB/Baa if the Bonds shall have a rating of BBB- or better by S&P and Fitch and a rating of Baa3 or better by Moody’s, and (e) if not AAA/AAA/Aaa, AA/AA/Aa, A/A/A or BBB/BBB/Baa, then below BBB/BBB/Baa, whether or not the Bonds are rated by any rating service. For purposes of this definition, S&P’s and Fitch’s rating categories of “AAA,” “AA-,” “A-” and “BBB-” and Moody’s rating categories of “Aaa,” “Aa3,” “A3” and “Baa3” shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such rating service shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Bonds are not rated by a rating service, the requirement of a rating by such rating service shall be disregarded. If the ratings for the bonds are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Rate shall be the Maximum Tax-Exempt Auction Rate with respect to the Tax-Exempt Bonds and the Maximum Taxable Auction Rate with respect to the Taxable Bonds.

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

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

“Special Auction Period” means any period of not less than seven days nor more than 3 years which is not another Auction Period and which begins on an Interest Payment Date and ends on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

“S&P” means Standard & Poor’s Capital Markets Services and its successors and assigns.

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

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

“Winning Bid Rate” means the lowest rate specified in any Submitted Bid for bonds which if selected by the Auction Agent as the Auction Rate would cause the aggregate principal amount of Bonds 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.

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## AUCTION PROCEDURES

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

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

### **I. Auction Procedures for the Tax-Exempt Bonds.**

For purposes of this section, the term “Bonds” refers to the Tax-Exempt Bonds.

#### ***Orders by Existing Owners and Potential Owners***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Anything herein to the contrary notwithstanding:

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

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

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

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

#### ***Submission of Orders by Broker-Dealers to Auction Agent***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ***Determination of Auction Rate***

(a) Not later than 9:30 a.m., New York City time, on each Auction Date for Auction Rate Bonds, the Auction Agent shall advise the Broker-Dealers and the Fiscal Agent by telephone or other electronic

communication acceptable to the parties of the Minimum Tax-Exempt Auction Rate, the Maximum Tax-Exempt Auction Rate and the Index for the Bonds.

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

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

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

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

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

#### ***Allocation of Bonds***

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

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

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

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

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

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

that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

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

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

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

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

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

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

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

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

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

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase a principal amount of Bonds that is less than the authorized denomination for Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate such Bonds for purchase among Potential Owners so that the principal amount of Bonds purchased on such

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

### ***Notice of Auction Rate***

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

(i) the Auction Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

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

### ***Index***

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

"Seven-Day "AA" Composite Non-Financial Commercial Paper Rate" on any date of determination, means the interest equivalent of the seven-day rate on commercial paper placed on behalf of non-financial issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately

preceding such date of determination, or if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Lehman Commercial Paper Inc. and Morgan Stanley & Co. Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the "Commercial Paper Dealers"), to the Auction Agent before the close of business on the Business Day immediately preceding such date of determination.

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

(b) If for any reason on any Auction Date the Index shall not be determined as hereinabove provided in this Section, the Index shall be the Index for the Auction Period ending on such Auction Date.

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

#### ***Changes in Auction Period or Auction Date***

(a) Changes in Auction Period.

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

(ii) The change in length of the Auction Period for Bonds shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for the first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds for which there is to be a change in the length of the Auction Period except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to above is not met, the Auction Rate for the next Auction Period shall be the Maximum Tax-Exempt Auction Rate and the Auction Period shall be a seven-day Auction Period.

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

(b) Changes in Auction Date.

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

## II. Auction Procedures for the Taxable Bonds.

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

### *Orders by Existing Owners and Potential Owners*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Anything herein to the contrary notwithstanding:

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

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

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

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

***Submission of Orders by Broker-Dealers to Auction Agent***

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

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

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

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

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

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

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

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

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

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

covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

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

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

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

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

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

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

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

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

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

#### ***Determination of Auction Rate***

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

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

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

(d) In the event the Auction Agent fails to calculate, or for any reason fails to timely provide, the Auction Rate for any Auction Period, the Auction Period Rate for such Auction Period shall be the No Auction Taxable

Rate; but that if the Auction Procedures are suspended due to the failure to pay the principal of or interest on any Bond, the Auction Rate for the next succeeding Auction Period shall be the Default Taxable Rate.

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

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

### ***Allocation of Bonds***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ***Notice of Auction Rate***

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

(i) the Auction Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

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

### ***Index***

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

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

For purposes of the definitions of Seven-Day "AA" Composite Non-Financial Commercial Paper Rate, the "interest equivalent" means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Seven-Day "AA" Composite Non-Financial Commercial Paper Rate, the Seven-Day "AA" Composite Non-Financial Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be Goldman, Sachs & Co., Merrill Lynch, Pierce,

Fenner & Smith Incorporated or Morgan Stanley & Co. Incorporated or their respective affiliates or successors which are commercial paper dealers (a "Substitute Commercial Paper Dealer") selected by the City (who shall be under no liability for such selection) to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the City does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

(b) If for any reason on any Auction Date the Index shall not be determined as hereinabove provided in this Section, the Index shall be the Index for the Auction Period ending on such Auction Date.

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

#### ***Changes in Auction Period or Auction Date***

(a) Changes in Auction Period.

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

(ii) The change in length of the Auction Period for Bonds shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for the first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds for which there is to be a change in the length of the Auction Period except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to above is not met, the Auction Rate for the next Auction Period shall be the Maximum Taxable Auction Rate and the Auction Period shall be a seven-day Auction Period.

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

(b) Changes in Auction Date.

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

**B R O W N & W O O D L L P**

**ONE WORLD TRADE CENTER  
NEW YORK, N.Y. 10048-0557**

TELEPHONE: 212-839-5300  
FACSIMILE: 212-839-5599

March 29, 2001

HONORABLE ALAN G. HEVESI  
Comptroller  
The City of New York  
Municipal Building  
New York, New York 10007

Dear Comptroller Hevesi:

We have acted as counsel to The City of New York (the "City"), a municipal corporation of the State of New York (the "State"), in the City's issuance of \$565,000,000 General Obligation Bonds, Fiscal 2001 Series H (the "Bonds").

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

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

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

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

3. Except as provided in the following sentence, interest on the Bonds due in 2031, the 3.40% Bonds due in 2004 and the fixed-rate Bonds due thereafter (the "Tax-Exempt Bonds") is not includable in the gross income of the owners of the Tax-Exempt Bonds for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt Bonds for Federal income tax purposes on or after the date on which any action is taken under the Bond proceedings upon the approval of counsel other than ourselves.

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4. Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

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

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

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

Very truly yours,

Financial Guaranty Insurance  
 Company  
 115 Broadway  
 New York, NY 10006  
 (212) 312-3000  
 (800) 352-0001



A GE Capital Company

## Municipal Bond New Issue Insurance Policy

<b>Issuer:</b>	<b>Policy Number:</b>
	<b>Control Number:</b> 0010001
<b>Bonds:</b>	<b>Premium:</b>

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

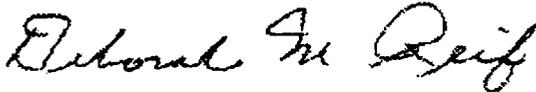
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## Municipal Bond New Issue Insurance Policy

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for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



**President**

**Effective Date:**

**Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.



**Authorized Officer**

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



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## Endorsement To Financial Guaranty Insurance Company Insurance Policy

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**Policy Number:**

**Control Number:** 0010001

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It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**  
State Street Bank and Trust Company, N.A., as Fiscal Agent

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

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**Mandatory New York State  
Amendatory Endorsement  
To Financial Guaranty Insurance Company  
Insurance Policy**

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**Policy Number:**

**Control Number:** 0010001

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The insurance provided by this Policy is not covered by the New York Property/Casualty Insurance Security Fund (New York Insurance Code, Article 76).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**

**State Street Bank and Trust Company, N.A., as Fiscal Agent**

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

**Mandatory New York State  
Amendatory Endorsement  
To Financial Guaranty Insurance Company  
Insurance Policy**

**Policy Number:**

**Control Number:** 0010001

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**

**State Street Bank and Trust Company, N.A., as Fiscal Agent**

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12307S

MSRB

FORM G-36(OS) - FOR OFFICIAL STATEMENT

SECTION I - MATERIALS SUBMITTED

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1.  A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: 03-23-2001 (b) DATE SENT TO MSRB: 03-27-2001

2.  AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: (b) DATE SENT TO MSRB:

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g., preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE:

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original Form G-36(OS)):

SECTION II - IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately. If more space is needed to list additional issues, please include on separate sheet and check here:

A. NAME OF ISSUER: The City of New York 2001-Sr H STATE: NY DESCRIPTION OF ISSUE: GENERAL OBLIGATION BONDS SUBSERIES H-H DATED DATE: 3/29/01

B. NAME OF ISSUER: The City of New York 2001-Sr. H STATE: NY DESCRIPTION OF ISSUE: GENERAL OBLIGATION BONDS SUBSERIES H-T DATED DATE: 3/29/01

C. NAME OF ISSUER: DESCRIPTION OF ISSUE: STATE: DATED DATE:

SECTION III - TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 03-15-2031

B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 03-22-2001

C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 03-29-2001

D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE:  A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV - UNDERWRITING ASSESSMENT INFORMATION

This information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

A. MANAGING UNDERWRITER: Goldman Sachs & Co SEC REG. NUMBER: 8-00120

B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING: \$ 200,000,000

C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from amount shown in item B above): \$

D. CHECK ALL THAT APPLY

- 1. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.
2. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.
3. This offering is exempt from SEC Rule 15c2-12 under section (d)(1)(i) of that rule. Section (d)(1)(i) of SEC Rule 15c2-12 states that an offer is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

**SECTION V - CUSIP INFORMATION**

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

**A. CUSIP-9 NUMBERS OF ISSUE(S)**

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
3/15/2029	64966AF34	(SR H-M)			
3/15/2031	64966AE92	(SR H-T)			

**B. IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9". CHECK HERE AND LIST THEM BELOW:**   
 (Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: \_\_\_\_\_

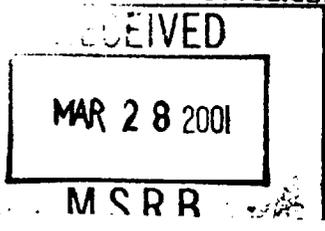
State the reason why such securities have not been assigned a "CUSIP-9" \_\_\_\_\_

**C. IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT. PLEASE CHECK HERE:**

State the reason why such securities are ineligible for CUSIP number assignment: \_\_\_\_\_

**SECTION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE**

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE, THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SUCH MATERIALS WILL BE PUBLICLY DISSEMINATED.



ON BEHALF OF SECTION I

SIGNED:

NAME \_\_\_\_\_

PHONE \_\_\_\_\_  
 Mailing Address \_\_\_\_\_

Printed Name \_\_\_\_\_  
 Title \_\_\_\_\_

This form and all accompanying materials shall be considered sent to the MSRB with this filing of materials to MSRB, MSIL System, 1000 ...  
 Street, Suite ...