

**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. Assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds will not be includable in the gross income of the owners thereof for Federal income tax purposes. See "SECTION IV: OTHER INFORMATION—Tax Exemption" herein for further information.



**The City of New York**  
**General Obligation Bonds, Fiscal 2001 Series B**  
**\$100,000,000 Tax-Exempt Multi-Modal Bonds**  
consisting of  
**\$50,000,000 Subseries B-M (Monday Auction)**  
**\$50,000,000 Subseries B-W (Wednesday Auction)**

Dated: Date of Delivery

Due: August 1, 2030

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 Interest Period and will be payable in arrears on each Interest Payment Date. The first Interest Period commences on the date of delivery of the Bonds and ends on October 16, 2000 (Subseries B-M) and October 18, 2000 (Subseries B-W). The first Interest Payment Date is October 17, 2000 (Subseries B-M) or October 19, 2000 (Subseries B-W) and succeeding Interest Payment Dates will occur on each Tuesday (Subseries B-M) and Thursday (Subseries B-W) thereafter, or if any such date is not a Business Day, the next succeeding Business Day and at maturity. Each "Interest Period" begins on and includes an Interest Payment Date and ends on but excludes the next succeeding Interest Payment Date. The rate of interest on the Bonds for the first Interest Period will be determined by Salomon Smith Barney Inc. as Broker-Dealer. The rates of interest on the Bonds for each subsequent Interest Period will be the rates of interest that result from implementation of the Auction Procedures described in "APPENDIX B—Auction Procedures" and elsewhere herein.

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 MBIA Insurance Corporation simultaneously with the delivery of the Bonds.

**WHILE THE BONDS MAY IN THE FUTURE BE CONVERTED TO INTEREST RATE PERIODS OTHER THAN AUCTION RATE PERIODS, THIS OFFICIAL STATEMENT DESCRIBES THE BONDS ONLY DURING THE AUCTION RATE PERIOD 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 Underwriter, 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 Underwriter 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 October 10, 2000.

**Salomon Smith Barney**

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations in connection with the Bonds or the matters described herein, other than those contained in this Official Statement (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 Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. No representations are made or implied by the City as to any offering by the Underwriter 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 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. 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.**

**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 (the "Bonds" or the "Multi-Modal Bonds") of the City's General Obligation Bonds, Fiscal 2001 Series B. The \$100,000,000 Multi-Modal Bonds of Fiscal 2001 Series B, together with \$425,000,000 fixed rate bonds of Fiscal 2001 Series B not offered hereby, are herein called the "Series B 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 September 21, 2000, delivered herewith and relating to General Obligation Bonds, Fiscal 2001 Series B and C, 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: 2000-2004 FINANCIAL PLAN

SECTION VIII: INDEBTEDNESS

SECTION IX: OTHER INFORMATION

    Pension Systems

    Litigation

APPENDIX A—ECONOMIC AND SOCIAL FACTORS

APPENDIX B—FINANCIAL STATEMENTS

The bonds described in such Official Statement, dated September 21, 2000, are offered thereby and not 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 Series B Bonds will be used for 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 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. The City may select Subseries for redemption in its discretion.

<u>August 1*</u>	<u>Principal Amount to be Redeemed (In Thousands)</u>
2019.....	\$ 9,625
2020.....	13,175
2021.....	6,200
2022.....	6,025
2023.....	6,375
2024.....	6,725
2025.....	7,125
2026.....	7,975
2027.....	8,450
2028.....	8,925
2029.....	9,425
2030(1).....	9,975

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

Payment of the regularly scheduled principal of and interest on the Multi-Modal Bonds (the "MBIA Insured Bonds") will be guaranteed under a financial guaranty insurance policy (the "Policy") issued by MBIA Insurance Corporation ("MBIA"). The following information pertaining to MBIA has been supplied by MBIA. 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 MBIA 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."

The MBIA policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the City's Fiscal Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment), and interest on, the MBIA Insured Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the MBIA Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The MBIA policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any MBIA Insured Bond. The MBIA policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of MBIA Insured

Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The MBIA policy also does not insure against nonpayment of principal or interest on the MBIA Insured Bonds resulting from the insolvency, negligence or any other act or omission of the City's Fiscal Agent or any other paying agent for the MBIA Insured Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the City's Fiscal Agent or any owner of a MBIA Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such MBIA Insured Bonds or presentment of such other proof of ownership of the MBIA Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the MBIA Insured Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the MBIA Insured Bonds in any legal proceeding related to payment of insured amounts on the MBIA Insured Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the City's Fiscal Agent payment of the insured amounts due on such MBIA Insured Bonds, less any amount held by the City's Fiscal Agent for the payment of such insured amounts and legally available therefor.

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1999, MBIA had admitted assets of \$7.0 billion (audited), total liabilities of \$4.6 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2000, MBIA had admitted assets of \$7.3 billion (unaudited), total liabilities of \$4.9 billion (unaudited), and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of MBIA's year-end financial statements prepared in accordance with statutory accounting practices are available without charge from MBIA. A copy of the Annual Report on Form 10-K of the Company is available from MBIA or the Securities and Exchange Commission. The address of MBIA is 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

Moody's Investors Service, Inc. ("Moody's") rates the financial strength of MBIA "Aaa".

Standard & Poor's Ratings Services Group, a division of The McGraw-Hill Companies, Inc., ("Standard & Poor's"), rates the financial strength of MBIA "AAA".

Fitch, Inc. ("Fitch") rates the financial strength of MBIA "AAA".

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the MBIA Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the MBIA Insured

Bonds. MBIA does not guarantee the market price of the MBIA Insured Bonds nor does it guarantee that the ratings on the MBIA Insured Bonds will not be revised or withdrawn.

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

### **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**

#### **Interest Rates**

The Bonds will initially be Auction Rate Bonds and each Subseries will bear interest at the Applicable Auction Rate, which will be established pursuant to the Auction Procedures described in "APPENDIX B—Auction Procedures" and elsewhere herein. The Applicable Auction Rate shall not exceed 14%.

The rate of interest for the first Auction Interest Period will be determined by Salomon Smith Barney Inc. as Broker-Dealer on or prior to the day preceding the date of delivery of the Bonds.

The Applicable Auction Rate for each Auction Interest Period shall be the Auction Rate; except that:

(i) if a notice of an adjustment in the percentages used to determine the Maximum Auction Interest Rate, the All-Hold Rate and the Non-Payment Rate shall have been given by the Market Agent in accordance with the Certificate and because of a failure to satisfy the condition set forth in the Certificate (namely the delivery of a favorable opinion of Bond Counsel) such adjustment shall not have taken effect, then an Auction shall not be held on the Auction Date immediately preceding the next succeeding Interest Payment Date and the Applicable Auction Rate for such next succeeding Auction Interest Period shall equal the Maximum Auction Interest Rate on such Auction Date;

(ii) if, on any Auction Date, an Auction is not held for any reason then the Applicable Auction Rate for the next succeeding Auction Interest Period shall equal the Maximum Auction Interest Rate on such Auction Date.

Notwithstanding the foregoing:

(x) if the ownership of Auction Rate Bonds is no longer maintained in book-entry form by the Securities Depository, the Applicable Auction Rate for any Auction Interest Period commencing after the delivery of certificates representing Auction Rate Bonds shall equal the Maximum Auction Interest Rate on the Business Day immediately preceding the first day of such succeeding Auction Interest Period; or

(y) if there is a failure to pay principal of or interest on the Series B Bonds (a "Payment Default"), the Applicable Auction Rate for the Auction Interest Period commencing on or immediately after such Payment Default, and for each Auction Interest Period thereafter, to and including the Auction Interest Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured, shall equal the Non-Payment Rate on the first day of each such Auction Interest Period.

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

Subject to the conditions in the Certificate the City may convert Auction Rate Bonds to a Fixed Interest Rate to maturity, or to a Daily Interest Rate, a Weekly Interest Rate, or to a Bond Interest Term Rate. Any conversion from an Auction Rate Period must occur on an Interest Payment Date, and the Bonds will be subject to mandatory tender for purchase on such date.

The Fiscal Agent shall mail notice of the new Interest Rate Period established by the City to the Owners of the affected Auction Rate Bonds, not less than 10 days prior to the effective date of the new Interest Rate Period. Such notice shall state (i) that the interest rate on such Multi-Modal Bonds will be adjusted, subject to receipt of a Favorable Opinion of Bond Counsel, on the effective date of the new Interest Rate Period, to the Daily Interest Rate, the Weekly Interest Rate, the Bond Interest Term Rate, or the Fixed Interest Rate; (ii) the effective date of such new Interest Rate Period; (iii) that on the first day of the new Interest Rate Period 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 the new Interest Rate Period 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 Period.

### **Changes in Auction Procedures**

The City may, from time to time, change the length of an Auction Interest Period or otherwise amend the Auction Procedures (an "Auction Adjustment") in order to conform with then-current market practice with respect to similar securities or to accommodate economic and financial factors that may be relevant to the Auctions. The City will not initiate such change unless it shall have received (i) the written consent of the Market Agent, which consent shall not be unreasonably withheld and (ii) a Favorable Opinion of Bond Counsel. The City will initiate an Auction Adjustment by giving written notice to the Fiscal Agent, the Auction Agent, the Market Agent, the Broker-Dealer, the Insurer and the affected Owners at least ten days prior to an Auction Date.

An Auction Adjustment will take effect only if Sufficient Clearing Bids exist at the Auction on such Auction Date. If this condition is not met, the Auction Rate applicable for the next Auction Interest Period will be the Maximum Auction Interest Rate, and the Auction Interest Period will be the Auction Interest Period determined without reference to the proposed change.

### **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.

Changes to the Auction Date do not require the amendment of the Auction Procedures or any consents.

### **Calculation of Maximum Auction Interest Rate, All-Hold Rate and Non-Payment Rate**

The Auction Agent shall calculate the Maximum Auction Interest Rate and the All-Hold Rate on each Auction Date. If the ownership of the Auction Rate Bonds is no longer maintained in book-entry form by the Securities Depository, the Auction Agent shall calculate the Maximum Auction Interest Rate on the Business Day immediately preceding each Interest Payment Date after the delivery of certificates representing the Auction Rate Bonds. If a Payment Default shall have occurred, the Fiscal Agent shall calculate the Non-Payment Rate on the first day of (i) each Auction Interest Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Auction Interest Period commencing less than two Business Days after the cure of any Payment Default. The Auction Agent shall determine the "AA" Composite Commercial Paper Rate for each Auction Interest Period other than the first Interest Period; provided, that if the ownership of the Auction Rate Bonds is no longer maintained in book-entry form, or if a Payment Default has occurred, then the Fiscal Agent shall determine the "AA" Composite Commercial Paper Rate for each such Auction Interest Period. The determination by the Fiscal Agent or the Auction Agent, as the case may be, of the "AA" Composite Commercial Paper Rate, Maximum Auction Interest Rate, All-Hold Rate and Non-Payment Rate shall (in the absence of manifest error) be final and binding upon all Beneficial Owners and all other parties. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Fiscal Agent of the "AA" Composite Commercial Paper Rate, Maximum Auction Interest Rate, All-Hold Rate and Non-Payment Rate.

### **Adjustment in Percentages**

The Market Agent, initially Salomon Smith Barney Inc., shall adjust the percentage used in determining the All-Hold Rate, the Applicable Percentages used in determining the Maximum Auction Interest Rate and the percentage of the Index used in calculating the Non-Payment Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Tax Law such that Auction Rate Bonds bearing interest at the Maximum Auction Interest Rate, Auction Rate Bonds bearing interest at the All-Hold Rate and Auction Rate Bonds bearing interest at the Non-Payment Rate, in each case, shall have substantially the same market values after such Change of Tax Law as before such Change of Tax Law. In making any such adjustment, the Market Agent shall take the following factors, as in existence both before and after such Change of Tax Law, into account: (i) short-term taxable and tax-exempt market rates and indices of such short-term rates; (ii) the market supply and demand for short-term tax-exempt securities; (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the Auction Rate Bonds; (iv) general economic conditions; and (v) economic and financial factors present in the securities industry that may affect, or that may be relevant to, the Auction Rate Bonds.

The Market Agent shall communicate its determination to adjust the percentage used in determining the All-Hold Rate, the Applicable Percentages used in determining the Maximum Auction Interest Rate and the percentage of the Index used in calculating the Non-Payment Rate by means of a Notice of Proposed Percentage Change delivered in writing at least two days prior to the Auction Date on which the Market Agent desires to effect the change, to the City, the Fiscal Agent and the Auction Agent.

An adjustment in the percentages used to determine the All-Hold Rate, the Maximum Auction Interest Rate and the Non-Payment Rate shall take effect on an Auction Date only if the Fiscal Agent and the Auction Agent receive a Favorable Opinion of Bond Counsel.

### **Auction Agent**

The Auction Agent, Bankers Trust Company, 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 and the Market Agent in writing and having a combined capital stock or surplus of at least \$50,000,000, or (iii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$50,000,000, 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, the City, the Broker-Dealer and the Market Agent. The Auction Agent may be removed at any time by the City, by an instrument filed with the Auction Agent, the Fiscal Agent and the Market Agent upon at least 30 days' notice. 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 45 days after notifying the Fiscal Agent, the City, the Market Agent 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. 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.

In the absence of bad faith, negligent failure to act or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining or failing to ascertain the pertinent facts.

### **Market Agent**

The Market Agent, Salomon Smith Barney Inc., shall serve as the Beneficial Owners' agent under the Certificate and the Market Agent Agreement. The Market Agent shall be a member of the National Association of Securities Dealers, Inc., having capitalization of at least \$50,000,000, and be authorized by law to perform all the duties imposed upon it by the Certificate and the Market Agent Agreement. The Market Agent may be removed by the City at any time, which removal shall not take effect until the appointment by the City of a Substitute Market Agent. The Market Agent may resign upon 30 days' written notice delivered to the City, the Broker-Dealer and the Auction Agent, provided that such resignation shall not take effect until the appointment by the City of a Substitute Market Agent. If the City is unable to appoint a Substitute Market Agent within 30 days following receipt of such written notice of resignation, the Market Agent may petition the appropriate court having jurisdiction to appoint a Substitute Market Agent.

### **Broker-Dealer**

The Auction Agent will enter into a Broker-Dealer Agreement with Salomon Smith Barney Inc., the initial Broker-Dealer specified by the City. The City may, from time to time, approve one or more additional Broker-Dealers. Any Broker-Dealer may be removed at any time, at the request of the City for any breach of its obligations under the Certificate or a Broker-Dealer Agreement, if at least one Broker-Dealer Agreement is in effect immediately following such removal.

### **Agreement of Holders**

By purchasing Auction Rate Bonds, whether in an Auction or otherwise, each prospective purchaser of Auction Rate Bonds or its Broker-Dealer will be deemed to have agreed to the provisions for the replacement of the Auction Agent and Market Agent, and determination of the Auction Agent Fee and Broker-Dealer Fee, as provided in the Certificate and relevant agreements among the City, the Fiscal Agent, the Auction Agent, the Market Agent and the Broker-Dealers.

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

The Auction Agent, Market Agent or Broker Dealer may resign or be removed as described above. There is no requirement that a replacement Auction Agent be in place if the resigning Auction Agent's fee has not been paid. For any Auction Interest Period during which there is no Auction Agent, or if the Auction Agent fails, for any reason, to calculate the Auction Rate for any Auction Interest Period, it will not be possible to hold Auctions, with the result that the interest rate on the Bonds will be the Maximum Auction Interest 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 Auction Interest Rate 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 Agreement, the Broker-Dealer will agree to handle its customers' orders in accordance with its duties under applicable securities laws and rules.

Salomon Smith Barney Inc. has advised the City that it intends initially to make a market for the Bonds between Auctions; however, Salomon Smith Barney Inc. 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 Bonds will not be includable in the gross income of the owners of the Bonds for purposes of Federal income taxation under existing law. Interest on the Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Bonds in the event of a failure by the City to comply with applicable requirements of the 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 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 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 Bonds owned by a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability.

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

## **Ratings**

The City expects that ratings on the Bonds will be received prior to October 10, 2000. The Multi-Modal 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 "1995-1999 Summary of Operations" in Section VI and "Pension Systems" in Section IX of the Official Statement of the City dated September 21, 2000 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 Salomon Smith Barney Inc. as Underwriter.

The compensation for services rendered in connection with the underwriting of the Bonds shall be \$327,872.93. The Contract of Purchase provides that the respective Underwriters will purchase all of the Series B Bonds 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 Underwriter. 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



## DEFINITIONS

In addition to terms defined elsewhere in this Official Statement, the following terms shall have the following meanings with respect to Auction Rate Bonds unless the context otherwise requires:

““AA” Composite Commercial Paper Rate” shall mean, as of any date of determination, the interest equivalent of the 30-day rate on financial commercial paper placed on behalf of issuers whose corporate bonds are rated “AA” by S&P, or the equivalent of such rating by S&P or another nationally recognized statistical rating organization, as such 30-day rate is 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. If, however, the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of the interest equivalent of the 30-day rate on commercial paper placed on behalf of such issuers, as quoted to the Auction Agent on a discount basis or otherwise, by the Commercial Paper Dealers, as of the close of business on the Business Day immediately preceding such date of determination. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the “AA” Composite Commercial Paper Rate, the “AA” Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the “interest equivalent” of a rate stated on a discount basis (a “discount rate”) for commercial paper of a given day’s maturity shall be equal to the product of (i) 100 multiplied by (ii) the quotient (rounded upward to the next higher one thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction, the numerator of which shall be the product of the discount rate (expressed in decimals) multiplied by the number of days from (and including) the date of determination to (but excluding) the date on which such commercial paper matures and the denominator of which shall be the applicable number of days in a year (365 or 366).

“After-Tax Equivalent Rate” shall mean, on any date of determination, the product of (i) the “AA” Composite Commercial Paper Rate on such date and (ii) 1.00 minus the Statutory Corporate Tax Rate on such date.

“All-Hold Rate” shall mean, on any date of determination, 85% (as such percentage may be adjusted pursuant to the Certificate of the lesser of: (i) the After-Tax Equivalent Rate on such date and (ii) the Index on such date; but never to exceed the Maximum Auction Interest Rate.

“Applicable Auction Rate” shall mean the rate per annum at which interest accrues on the Auction Rate Bonds of a Subseries for any Auction Interest Period; but never to exceed the Maximum Auction Interest Rate.

“Applicable Percentage” shall mean on any date of determination, the percentage determined (as such percentage may be adjusted pursuant to the Certificate) based on Moody’s or S&P’s ratings of the applicable Auction Rate Bonds in effect at the close of business on the Business Day immediately preceding such date, or, if such Auction Rate Bonds are then rated by both Moody’s and S&P, based on the lower of such ratings on such Business Day, as set forth below:

<u>Moody’s</u>	<u>S&amp;P</u>	<u>Applicable Percentage</u>
“Aaa”	“AAA”	175%
“Aa”	“AA”	175%
“A”	“A”	175%
“Baa”	“BBB”	200%
Below “Baa”	Below “BBB”	265%

and if such Auction Rate Bonds are not then rated by a Rating Agency, the Applicable Percentage shall be 265%. For purposes of this definition, S&P’s rating categories of “AAA,” “AA,” “A,” and “BBB” and Moody’s ratings of “Aaa,” “Aa,” “A” and “Baa” refer to and include the respective rating categories correlative thereto if any or all of such Rating Agencies have changed or modified their generic rating

categories or if S&P or Moody's, as the case may be, do not rate, or no longer rate, such Auction Rate Bonds or have been replaced.

"Auction" shall mean the implementation of the Auction Procedures on an Auction Date.

"Auction Agent" shall mean Bankers Trust Company, the initial Auction Agent, or a Substitute Auction Agent.

"Auction Date" shall mean October 16, 2000 (Subseries B-M), or October 18, 2000 (Subseries B-W) and thereafter the Business Day immediately preceding the first day of each Auction Interest Period for such Subseries, other than:

(i) each Auction Interest Period commencing after the ownership of the Auction Rate Bonds is no longer maintained in Book-Entry Form by the Securities Depository;

(ii) each Auction Interest Period commencing after the occurrence and during the continuance of a default in the payment of the principal of or interest on the Series Auction Rate Bonds, but only if the Insurer is in default of its obligations under the Policy; or

(iii) any Auction Interest Period commencing less than two Business Days after the cure or waiver of a default in the payment of the principal of or interest on the Auction Rate Bonds.

"Auction Interest Period" shall mean each period within an Auction Rate Period during which a specific Auction Rate is in effect, which Auction Interest Period may be generally a 7-day period, a 35-day period, or such other period as may be designated from time to time as an Auction Interest Period by the City and the Market Agent pursuant to an Auction Period Adjustment, each Auction Interest Period running from, and including, an Interest Accrual Date for such Auction Rate Bonds to the day preceding the next Interest Payment Date for such Auction Rate Bonds. Initially, following the first Auction Date, the Auction Interest Period shall be a 7-day period beginning Tuesday (Subseries B-M) or Thursday (Subseries B-W).

"Auction Period Adjustment" shall mean an adjustment to the length of an Auction Interest Period implemented by the City and the Market Agent pursuant to the Certificate.

"Auction Procedures" shall mean the auction procedures set forth in the Auction Agent Agreement and other Bond proceedings.

"Auction Rate" shall mean each rate of interest per annum that results from the implementation of the Auction Procedures; but never to exceed the Maximum Auction Interest Rate.

"Auction Rate Bonds" shall mean any Multi-Modal Bonds bearing interest at an Auction Rate.

"Auction Rate Period" shall mean the period during which Auction Rates are in effect.

"Beneficial Owner" shall mean each beneficial owner of Auction Rate Bonds, as defined in the City's Continuing Disclosure Undertaking relating thereto.

"BMA Index" shall mean on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association ("BMA") or any person acting in cooperation with or under the sponsorship of BMA and acceptable to the Market Agent with respect to the Auction Rate Bonds, and effective from such date.

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

"Book Entry Form" or "Book Entry System" shall mean a form or system under which physical Multi-Modal Bond certificates in fully registered form are registered only in the name of the Securities Depository, with the physical certificates "immobilized" in the custody of the Securities Depository or its agent.

"Broker-Dealer" shall mean the Broker-Dealer for the Auction Rate Bonds or any other broker or dealer (each as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other

entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a Participant (or an affiliate of a Participant), (ii) has been appointed as such by the City pursuant to the Certificate, and (iii) has entered into a Broker-Dealer Agreement that is in effect.

“Business Day” shall mean a day (i) other than a day on which banks located in The City of New York, New York, or the cities in which the designated corporate trust offices of the Fiscal Agent, the Auction Agent, the Broker-Dealer or the Market Agent are located, are required or authorized by law or executive order to close, and (ii) on which the New York Stock Exchange is not closed.

“Certificate” shall mean the Certificate of the Deputy Comptroller for Public Finance of the City, dated October 10, 2000, including all Exhibits, Schedules and Appendices.

“Change of Tax Law” shall mean, with respect to any Beneficial Owner, any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury after the date of issuance of the Bonds, which (i) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would impose or reduces or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by, any holder of bonds the interest on which is excluded from federal gross income under Section 103 of the Code.

“Existing Holder” shall mean, with respect to any Auction, a person who was listed as the Beneficial Owner of Auction Rate Bonds in the Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction.

“Existing Holder Registry” shall mean the registry of Persons who are Beneficial Owners of Auction Rate Bonds, maintained by 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 Multi-Modal 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.

“Index” shall mean, on any date of determination, as determined by the Market Agent, the BMA Index on such date, or if such rate is not available, the Index so determined by the Market Agent, which shall equal the prevailing rate for bonds rated in the highest short-term rating category by S&P in respect of issuers most closely resembling the “high grade” component issuers included in the BMA Index that are subject to tender by the holders thereof for purchase on not more than 7 days’ notice and the interest on which is (i) variable on a weekly basis, (ii) excludable from gross income for federal income tax purposes under the Code, and (iii) not subject to an “alternative minimum tax” or similar tax under the Code, unless all tax-exempt bonds are subject to such tax.

“Insurer” shall mean MBIA Insurance Corporation.

“Interest Accrual Date” shall mean October 10, 2000, and thereafter each Interest Payment Date in respect of any Auction Interest Period other than the last such Interest Payment Date.

“Interest Payment Date” shall mean each initial Interest Payment Date, October 17, 2000 (Subseries B-M), or October 19, 2000 (Subseries B-W), and thereafter the first day of each Auction Interest Period, and any other Interest Payment Date for a Subseries designated by the City and the Market Agent; and each mandatory tender date, redemption date or maturity date. If the date that would be an Interest Payment Date and an Interest Accrual Date is not a Business Day, then such Interest Payment Date and Interest Accrual Date shall occur on the next Business Day and interest shall continue to accrue to and including the day before such Business Day.

“Maximum Rate” shall mean 14% per annum.

“Maximum Auction Interest Rate” shall mean the lesser of (i) the Applicable Percentage of the higher of (A) the After-Tax Equivalent Rate on a date and (B) the Index on such date, and (ii) the Maximum Rate.

“Non-Payment Rate” shall mean the lesser of (i) 265% of the Index on such date (as such percentage may be adjusted pursuant to the Certificate) and (ii) the Maximum Auction Interest Rate.

“Rating Agency” means each nationally recognized statistical rating organization that has, at the request of the City, a short-term rating in effect for the Auction Rate Bonds.

“Rating Confirmation” shall mean a written notice from each Rating Agency that its rating on the Auction Rate Bonds will not be lowered or withdrawn as a result of action proposed to be taken under the Certificate.

“Record Date” shall mean, for Auction Rate Bonds, the second Business Day next preceding each Interest Payment Date.

“Statutory Corporate Tax Rate” shall mean, as of any date of determination, the highest tax rate bracket (expressed in decimals) as applicable in each taxable year on the taxable income of every corporation as set forth in Section 11 of the Code or any successor section, without regard to any minimum additional tax provision; the Statutory Corporate Tax Rate as of the date of issuance of the Series B Bonds is 35%.

**AUCTION PROCEDURES**

So long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Holder may sell, transfer or otherwise dispose of Bonds only (i) pursuant to a Bid or Sell Order placed in an Auction or (ii) if such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer, through a Broker-Dealer. Subject to the provisions of the Certificate, Auctions shall be conducted on each Auction Date, in the following manner:

(a)(i) Prior to 1:00 p.m. (the "Submission Deadline") on each Auction Date:

(A) each Existing Holder of Bonds may submit to a Broker-Dealer by telephone or otherwise any information as to:

(I) the principal amount of outstanding Bonds, if any, held by such Existing Holder that such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Interest Period;

(II) the principal amount of outstanding Bonds, if any, that such Existing Holder offers to sell if the Auction Rate for the next succeeding Auction Interest Period shall be less than the rate specified by such Existing Holder; or

(III) the principal amount of outstanding Bonds, if any, held by such Existing Holder that such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Auction Interest Period; and

(B) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of Bonds which each Potential Holder offers to purchase, if the Auction Rate for the next succeeding Auction Interest Period shall not be less than the rate specified by such Potential Holder.

The statement of an Existing Holder or a Potential Holder referred to in (A) or (B) of this paragraph (i) is an "Order," and each Existing Holder and each Potential Holder placing an Order is a "Bidder"; an Order described in clause (A)(I) is a "Hold Order"; an Order described in clause (A)(II) or (B) is a "Bid"; and an Order described in clause (A)(III) is a "Sell Order."

(ii) Subject to (b) below, (A) a Bid by any Existing Holder shall constitute an irrevocable offer to sell (in each case for settlement in same day funds on the next Interest Payment Date therefor at a price equal to 100% of the principal amount thereof):

(I) the principal amount of outstanding Bonds specified in such Bid if the Auction Rate determined as provided herein shall be less than the rate specified in such Bid; or

(II) such principal amount or a lesser principal amount of outstanding Bonds to be determined as set forth in (d)(i)(D) below, if the Auction Rate determined as provided herein shall be equal to the rate specified in such Bid; or

(III) such principal amount or a lesser principal amount of outstanding Bonds to be determined as set forth in (d)(ii)(C) below if the rate specified therein shall be higher than the Maximum Auction Interest Rate and Sufficient Clearing Bids have not been made.

(B) a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell (in each case for settlement in same day funds on the next Interest Payment Date therefor at a price equal to 100% of the principal amount thereof):

(I) the principal amount of outstanding Bonds specified in such Sell Order if Sufficient Clearing Bids exist; or

(II) such principal amount or a lesser principal amount of outstanding Bonds set forth in (d)(i)(C) below, if Sufficient Clearing Bids have not been made.

(C) a Bid by a Potential Holder shall constitute an irrevocable offer to purchase (in each case for settlement in same day funds on the next Interest Payment Date therefor at a price equal to 100% of the principal amount thereof):

(I) the principal amount of outstanding Bonds specified in such Bid if the Auction Rate determined as provided herein shall be higher than the rate specified in such Bid; or

(II) such principal amount or a lesser principal amount of outstanding Bonds set forth in (d)(i)(E) below, if the Auction Rate determined as provided herein shall be equal to the rate specified in such Bid.

(b)(i) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each such Order:

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

(B) the aggregate principal amount of Bonds that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Holder:

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

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

(III) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Holder; and

(D) to the extent such Bidder is a Potential Holder, the rate specified in such Potential Holder's Bid.

(ii) 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 higher one thousandth (0.001) of 1%.

(iii) If an Order or Orders covering all outstanding Bonds held by an Existing Holder 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 Holder covering the principal amount of outstanding Bonds held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

(iv) Neither the City, the Fiscal Agent nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall any such party be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers.

(v) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of outstanding Bonds held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(A) All Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of outstanding Bonds held by such Existing Holder, and if the aggregate principal

amount of Bonds subject to such Hold Orders exceeds the aggregate principal amount of Bonds held by such Existing Holder, the aggregate principal amount of Bonds subject to each such Hold Order shall be reduced so that the aggregate principal amount of Bonds subject to such Hold Orders equals the aggregate principal amount of outstanding Bonds held by such Existing Holder.

(B)(I) any Bid shall be considered valid up to and including the excess of the principal amount of outstanding Bonds held by such Existing Holder over the aggregate principal amount of Bonds subject to any Hold Order referred to in (v)(A) above;

(II) subject to (v)(B)(I) above, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of outstanding Bonds subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess;

(III) subject to (v)(B)(I) and (v)(B)(II) above, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(IV) in any such event, the amount of outstanding Bonds, if any, subject to Bids not valid under this subsection (B) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) All Sell Orders shall be considered valid up to and including the excess of the principal amount of outstanding Bonds held by such Existing Holder over the aggregate principal amount of Bonds subject to Hold Orders referred to in subsection (v)(A) and valid Bids referred to in (v)(B).

(vi) If more than one Bid for Bonds is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

(vii) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of Bonds not equal to an Authorized Denomination shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of Bonds not equal to an Authorized Denomination shall be rejected.

(viii) Any Bid specifying a rate higher than the Maximum Auction Interest Rate will be treated as a Sell Order if submitted by an Existing Holder and will not be accepted if submitted by a Potential Holder. Any Bid submitted by an Existing Holder or on behalf of a Potential Holder specifying a rate lower than the All-Hold Rate shall be treated as a Bid specifying the All-Hold Rate, and each such Bid shall be considered as valid and shall be selected in the ascending order of their respective rates contained in the Submitted Bids.

(ix) Any Order submitted in an Auction by a Broker-Dealer to the Auction Agent prior to the Submission Deadline on any Auction Date shall be irrevocable.

(c)(i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(A) the excess ("Available Bonds") of the total principal amount of outstanding Bonds over the sum of the aggregate principal amount of outstanding Bonds subject to Submitted Hold Orders, and

(B) from the Submitted Orders whether:

(I) the aggregate principal amount of outstanding Bonds subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Auction Interest Rate exceeds or is equal to the sum of:

(II) the aggregate principal amount of outstanding Bonds subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Auction Interest Rate, and

(III) the aggregate principal amount of outstanding Bonds subject to Submitted Sell Orders

(in the event such excess or such equality exists, other than because all of the outstanding Bonds are subject to Submitted Hold Orders, such Submitted Bids described in subclause (I) above shall be referred to collectively as "Sufficient Clearing Bids"; and

(C) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (the "Winning Bid Rate") such that if:

(I)(aa) each such Submitted Bid from Existing Holders specifying such lowest rate and (bb) all other Submitted Bids from Existing Holders specifying lower rates were accepted, thus entitling such Existing Holders to continue to hold the principal amount of Bonds subject to such Submitted Bids, and

(II)(aa) each such Submitted Bid from Potential Holders specifying such lowest rate and (bb) all other Submitted Bids from Potential Holders specifying lower rates were accepted,

the result would be that such Existing Holders described in (C)(I) above would continue to hold an aggregate principal amount of outstanding Bonds which, when added to the aggregate principal amount of outstanding Bonds to be purchased by such Potential Holders described in (C)(II) above, would equal not less than the Available Bonds.

(ii) Promptly after the Auction Agent has made the determinations pursuant to (c)(i), the Auction Agent shall advise the Fiscal Agent of the Maximum Auction Interest Rate and the All-Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Auction Interest Period as follows:

(A) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding Auction Interest Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids do not exist (other than because all of the outstanding Bonds are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Auction Interest Period shall be equal to the Maximum Auction Interest Rate; or

(C) if all outstanding Bonds are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Auction Interest Period shall be equal to the All-Hold Rate.

(d) Existing Holders shall continue to hold the principal amount of Bonds that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to (c)(i) above, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to (d)(iv) and (d)(v), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of Bonds subject to such Submitted Bids;



(B) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of Bonds subject to such Submitted Bids;

(C) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted;

(D) each Existing Holders' Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus entitling such Existing Holder to continue to hold the aggregate principal amount of Bonds subject to such Submitted Bid, unless the aggregate principal amount of outstanding Bonds subject to all such Submitted Bids shall be greater than the principal amount of Bonds (the "remaining principal amount") equal to the excess of the Available Bonds over the aggregate principal amount of Bonds subject to Submitted Bids described in (B) and (C) of (d)(i), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of Bonds subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of Bonds obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of outstanding Bonds held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of outstanding Bonds subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(E) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted, but only in an amount equal to the principal amount of Bonds obtained by multiplying the excess of the aggregate principal amount of Available Bonds over the aggregate principal amount of Bonds subject to Submitted Bids described in (B), (C) and (D) of (d)(i) by a fraction the numerator of which shall be the aggregate principal amount of outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of outstanding Bonds subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the outstanding Bonds are subject to Submitted Hold Orders), subject to (d)(iv), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Interest Rate shall be accepted, thus entitling such Existing Holders to continue to hold the aggregate principal amount of Bonds subject to such Submitted Bids;

(B) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Interest Rate shall be accepted, and specifying any rate that is higher than the Maximum Auction Interest Rate shall be rejected; and

(C) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Auction Interest Rate and the Submitted Sell Order of each Existing Holder shall be rejected, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the Bonds subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of Bonds obtained by multiplying the aggregate principal amount of Bonds subject to Submitted Bids described in (B) of (d)(ii) by a fraction the numerator of which shall be the aggregate principal amount of outstanding Bonds held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of outstanding Bonds subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all outstanding Bonds are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in (d)(i) or (d)(ii), any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of Bonds that is not equal to an Authorized Denomination the Auction Agent shall, in such manner as in its sole discretion it shall determine, round up or down the principal amount of Bonds to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of Bonds purchased or sold by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination.

(v) If, as a result of the procedures described in (d)(ii), any Potential Holder would be entitled or required to purchase less than an Authorized Denomination of Bonds, the Auction Agent shall, in such manner as in its sole discretion it shall determine, allocate Bonds for purchase among Potential Holders so that only Bonds in Authorized Denominations are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Bonds.

(vi) The City, the Fiscal Agent and the Auction Agent shall have no liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

(e) Based on the result of each Auction, the Auction Agent shall determine the aggregate principal amount of Bonds to be purchased and the aggregate principal amount of Bonds to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of Bonds to be sold differs from such aggregate principal amount of Bonds to be purchased, determine to which other Broker-Dealer or Broker Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, Bonds.

(f) Any calculation by the Auction Agent (or the Fiscal Agent, if applicable) of the Applicable Bonds Rate, the Broker-Dealer Fee, the "AA" Composite Commercial Paper Rate, the Maximum Auction Interest Rate, the All-Hold Rate and the Non-Payment Rate shall, in the absence of manifest error, be binding on all Beneficial Owners and all other parties.

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

October 10, 2000

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 \$588,420,000 General Obligation Bonds, Fiscal 2001 Series B and C (the "Bonds").

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

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 2030 and the Bonds bearing interest at rates lower than 6% (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.

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 POLICY****MBIA Insurance Corporation  
Armonk, New York 10504**

[NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to

or its successor (the "Paying Agent ") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

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

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**\_\_\_\_\_  
President

Attest: \_\_\_\_\_

\_\_\_\_\_  
Assistant Secretary**SPECIMEN**

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**DO NOT STAPLE THIS FORM**

**MSRB**

**FORM G-36 (OS) - FOR OFFICIAL STATEMENTS**

**SECTION I - MATERIALS SUBMITTED**

117989

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: 10/06/2000 (b) DATE SENT TO MSRB: 10/06/2000

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, CHECK HERE (include copy of original Form G-36(ARD)):

**SECTION II - IDENTIFICATION OF ISSUE(S)**

Each 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: <u>THE CITY OF NEW YORK</u>	STATE:	<u>NY</u>
	DESCRIPTION OF ISSUE: <u>GENERAL OBLIGATION BONDS, FISCAL 2001 SERIES B</u>	DATED DATE:	<u>10/10/2000</u>
B.	NAME OF ISSUER: _____	STATE:	_____
	DESCRIPTION OF ISSUE: _____	DATED DATE:	_____
C.	NAME OF ISSUER: _____	STATE:	_____
	DESCRIPTION OF ISSUE: _____	DATED DATE:	_____

**SECTION III - TRANSACTION INFORMATION**

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 08/01/2030

B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 10/06/2000

C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 10/10/2000

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 document 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: SALOMONSMITHBARNEY REG. NUMBER: 8-08177

B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING \$ 100,000,000

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 offering 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.

CONTINUED ON OTHER SIDE

**SECTION V – CUSIP INFORMATION**

MSRB rule G-34 requires that CUSIP numbers be assigned to each 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
B-M 08/01/30	64966A RM9				
B-W 08/01/30	64966A RN7				

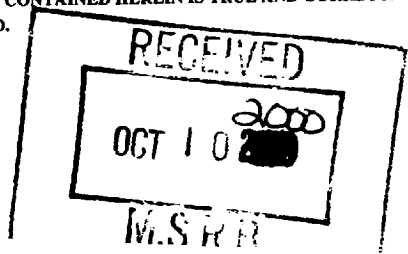
B. IF ANY OF THE ABOVE SECURITIES HAS A CUSIP-6 BUT NO CUSIP-9, CHECK HERE AND LIST THEM BELOW   
(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED \_\_\_\_\_  
State the reason why 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 securities have not been assigned a "Cusip-9" \_\_\_\_\_

**SECTION VI – MANAGING UNDERWRITER’S CERTIFICATION AND SIGNATURE**

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



ON BEHALF OF \_\_\_\_\_  
SIGNED: \_\_\_\_\_  
NAME: C  
riters.)

(ONE: \_\_\_\_\_  
to be read \_\_\_\_\_  
materials)

detailed instructions or noted as OR  
form and two copies to be  
he meaning of materials to MSRB, MSIL System, 1640 King Street, Suite 300. Alexandria, Virginia