

NEW ISSUE

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

\$700,000,000
The City of New York
General Obligation Bonds, Fiscal 2002
Subseries A-2 through Subseries A-11

\$330,000,000 TAX-EXEMPT AUCTION RATE BONDS
\$200,000,000 TAXABLE ADJUSTABLE RATE BONDS
\$170,000,000 TAX-EXEMPT ADJUSTABLE RATE BONDS

Dated: Date of Delivery

Due: As shown on the inside cover

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

The Auction Rate Bonds will be issuable initially in authorized denominations of \$25,000 or any integral multiple thereof. The Adjustable Rate Bonds will be issuable initially in Authorized Denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. Other terms of the Bonds including interest rates, interest payment dates, mandatory and optional redemption and tender provisions and authorized denominations are described herein. *A detailed schedule of the Bonds is set forth on the inside cover page.*

The Adjustable Rate Bonds may be tendered to the Tender Agent for purchase at the option of the owner thereof under the circumstances described herein. Payment of the Purchase Price on the Adjustable Rate Bonds tendered for purchase as described herein will be made pursuant and subject to the terms of the Liquidity Facilities described herein provided severally by FGIC Securities Purchase, Inc., Dexia Cr dit Local, acting through its New York Agency, The Bank of Nova Scotia, acting through its New York Agency, and Lloyds TSB Bank plc, acting through its Miami Agency (collectively, the "Liquidity Providers"), representing separate obligations of the respective Liquidity Providers in respect of separate Subseries as shown on the inside cover.

The principal of and interest on Subseries A-2 and Subseries A-3 Bonds when due will be insured by a municipal bond insurance policy to be issued by XL Capital Assurance Inc. simultaneously with the delivery of such Bonds. The principal of and interest on Subseries A-4 and Subseries A-5 Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of such Bonds.

The principal of and interest on Subseries A-6 and Subseries A-10 Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Security Assurance Inc. simultaneously with the delivery of such Bonds. The principal of and interest on Subseries A-7 and Subseries A-8 Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of such Bonds. The principal of and interest on Subseries A-9 and Subseries A-11 Bonds when due will be insured by a municipal bond new issue insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of such Bonds.

The Bonds are offered subject to prior sale, when, as and if issued by the City and accepted by the Underwriters, subject to the approval of the legality of the Bonds by Sidley Austin Brown & Wood LLP, New York, New York, Bond Counsel to the City, and to certain other conditions. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the City by Morgan, Lewis & Bockius LLP, New York, New York. Certain legal matters will be passed upon for the Underwriters by Clifford Chance Rogers & Wells LLP, New York, New York. It is expected that the Bonds will be available for delivery in New York, New York, on or about November 1, 2001.

Morgan Stanley
Broker-Dealer for
Subseries A-2 Bonds,
A-3 Bonds,
A-4 Bonds and
A-5 Bonds

UBS PaineWebber Inc.
Remarketing Agent for
Subseries A-8 Bonds
and A-9 Bonds

Merrill Lynch & Co.
Remarketing Agent for
Subseries A-7 Bonds,
A-10 Bonds and
A-11 Bonds

Bear, Stearns & Co. Inc.
Remarketing Agent for
Subseries A-6 Bonds

JPMorgan
Broker-Dealer for
Subseries A-2 Bonds,
A-3 Bonds,
A-4 Bonds and
A-5 Bonds

Salomon Smith Barney
Broker-Dealer for
Subseries A-2 Bonds, A-3 Bonds,
A-4 Bonds and
A-5 Bonds

\$700,000,000 General Obligation Bonds, Fiscal 2002 Subseries A-2 through Subseries A-11⁽¹⁾

	Subseries A-2 Tax-Exempt Bonds(2)		Subseries A-3 Tax-Exempt Bonds(3)		Subseries A-4 Tax-Exempt Bonds(4)		Subseries A-5 Tax-Exempt Bonds(5)		Subseries A-6 Tax-Exempt Bonds(6)	
	Principal Amount	Price	Principal Amount	Price	Principal Amount	Price	Principal Amount	Price	Principal Amount	Price
November 1										
2018	\$100,000,000(+)	100%								
2026									\$70,000,000(+)	100%
2027							\$65,000,000(+)	100%		
2029					\$65,000,000(+)	100%				
2031			\$100,000,000(+)	100%						
	Subseries A-7 Tax-Exempt Bonds(7)		Subseries A-8 Tax-Exempt Bonds(8)		Subseries A-9 Taxable Bonds(9)		Subseries A-10 Taxable Bonds(10)		Subseries A-11 Taxable Bonds(11)	
November 1	Principal Amount	Price	Principal Amount	Price	Principal Amount	Price	Principal Amount	Price	Principal Amount	Price
2020									\$20,000,000(+)	100%
2021										
2023			\$40,000,000(+)	100%	\$120,000,000(+)	100%	\$60,000,000(+)	100%		
2024	\$60,000,000(+)	100%								

(+) Term Bond.

- (1) Fiscal 2002 Subseries A-1 General Obligation Bonds of The City of New York in the amount of \$400,000,000 are being issued simultaneously with the Subseries A-2 through A-11 Bonds, are described in a separate official statement and are not offered hereby.
- (2) Auction Rate Bonds. Principal and interest insured by XL Capital Assurance Inc. See "APPENDIX D—AUCTION RATE BONDS". Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc. and Salomon Smith Barney Inc. are broker-dealers for the Auction Rate Bonds. The first Auction for the Subseries A-2 Bonds will be held on November 9, 2001 and thereafter an Auction will generally occur on Monday of each week. The first Interest Payment Date for the Subseries A-2 Bonds is on November 13, 2001 and succeeding Interest Payment Dates will generally occur on each Tuesday thereafter, or if any such Tuesday is not a Business Day, the next succeeding Business Day and at maturity.
- (3) Auction Rate Bonds. Principal and interest insured by XL Capital Assurance Inc. See "APPENDIX D—AUCTION RATE BONDS". Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc. and Salomon Smith Barney Inc. are broker-dealers for the Auction Rate Bonds. The first Auction for the Subseries A-3 Bonds will be held on November 13, 2001 and thereafter an Auction will generally occur on Tuesday of each week. The First Interest Payment Date for the Subseries A-3 Bonds is on November 14, 2001 and succeeding Interest Payment Dates will generally occur on each Wednesday thereafter, or if any such Wednesday is not a Business Day, the next succeeding Business Day and at maturity.
- (4) Auction Rate Bonds. Principal and interest insured by MBIA Insurance Corporation. See "APPENDIX D—AUCTION RATE BONDS". Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc. and Salomon Smith Barney Inc. are broker-dealers for the Auction Rate Bonds. The first Auction for the Subseries A-4 Bonds will be held on November 14, 2001 and thereafter an Auction will generally occur on Wednesday of each week. The First Interest Payment Date for the Subseries A-4 Bonds is on November 15, 2001 and succeeding Interest Payment Dates will generally occur on each Thursday thereafter, or if any such Thursday is not a Business Day, the next succeeding Business Day and at maturity.
- (5) Auction Rate Bonds. Principal and interest insured by MBIA Insurance Corporation. See "APPENDIX D—AUCTION RATE BONDS". Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc. and Salomon Smith Barney Inc. are broker-dealers for the Auction Rate Bonds. The first Auction for the Subseries A-5 Bonds will be held on November 9, 2001 and thereafter an Auction will generally occur on Friday of each week. The first Interest Payment Date for the Subseries A-5 Bonds is on November 13, 2001 and succeeding Interest Payment Dates will generally occur on each Monday thereafter, or if any such Monday is not a Business Day, the next succeeding Business Day and at maturity.
- (6) Tax-Exempt Adjustable Rate Bonds. See "APPENDIX B—MULTI-MODAL BONDS." Bear, Stearns & Co. Inc. is the Remarketing Agent for the Subseries A-6 Bonds, which will be in the Daily Rate Mode, supported by a Liquidity Facility provided by Dexia Credit Local, acting through its New York Agency, with principal and interest insured by Financial Security Assurance Inc.
- (7) Tax-Exempt Adjustable Rate Bonds. See "APPENDIX B—MULTI-MODAL BONDS". Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Remarketing Agent for the Subseries A-7 Bonds, which will be in the Daily Rate Mode, supported by a Liquidity Facility provided by The Bank of Nova Scotia, acting through its New York Agency, with principal and interest insured by Ambac Assurance Corporation.
- (8) Tax-Exempt Adjustable Rate Bonds. See "APPENDIX B—MULTI-MODAL BONDS." UBS PaineWebber Inc. is the Remarketing Agent for the Subseries A-8 Bonds, which will be in the Weekly Rate Mode with the interest rate reset each Tuesday effective Wednesday, supported by a Liquidity Facility provided by the Lloyds TSB Bank plc, acting through its Miami Agency, with principal and interest insured by Ambac Assurance Corporation.
- (9) Taxable Adjustable Rate Bonds. See "APPENDIX B—MULTI-MODAL BONDS". UBS PaineWebber Inc. is the Remarketing Agent for the Subseries A-9 Bonds, which will be in the Weekly Rate Mode with the interest rate reset each Tuesday effective Wednesday, supported by a Liquidity Facility provided by FGIC Securities Purchase, Inc. with principal and interest insured by Financial Guaranty Insurance Company.
- (10) Taxable Adjustable Rate Bonds. See "APPENDIX B—MULTI-MODAL BONDS". Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Remarketing Agent for the Subseries A-10 Bonds, which will be in the Weekly Rate Mode with the interest rate reset each Wednesday effective Thursday, supported by a Liquidity Facility provided by Dexia Credit Local, acting through its New York Agency, with principal and interest insured by Financial Security Assurance Inc.
- (11) Taxable Adjustable Rate Bonds. See "APPENDIX B—MULTI-MODAL BONDS". Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Remarketing Agent for the Subseries A-11 Bonds, which will be in the Weekly Rate Mode with the interest rate reset each Wednesday effective Thursday, supported by a Liquidity Facility provided by FGIC Securities Purchase, Inc., with principal and interest insured by Financial Guaranty Insurance Company.

**RATE PERIOD TABLE
FOR TAX-EXEMPT AND TAXABLE ADJUSTABLE RATE BONDS**

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

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

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

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

* The Reset Date with respect to Subseries A-8 Bonds and Subseries A-9 Bonds that will be remarketed by UBS PaineWebber Inc. will be on each Tuesday effective Wednesday. The Reset Date with respect to Subseries A-10 Bonds and Subseries A-11 Bonds that will be remarketed by Merrill Lynch, Pierce, Fenner & Smith Incorporated will be on each Wednesday effective Thursday.

** The Rate Period with respect to Subseries A-8 Bonds and Subseries A-9 Bonds that will be remarketed by UBS PaineWebber Inc. will commence on a Wednesday and will extend to and include the next succeeding Tuesday. The Rate Period with respect to Subseries A-10 Bonds and Subseries A-11 Bonds that will be remarketed by Merrill Lynch, Pierce, Fenner & Smith Incorporated will commence on a Thursday and will extend to and include the next succeeding Wednesday.

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

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

Unless otherwise noted, the City's Financial Plan and other forecasts contained herein were prepared prior to the September 11 attack on the World Trade Center and have not been revised to reflect changes that may occur as a result of this event.

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

	<u>Page</u>		<u>Page</u>
INTRODUCTORY STATEMENT	1	Tax Exemption	16
SECTION I: INCLUSION BY SPECIFIC		Taxable Bonds	17
REFERENCE	1	Ratings	17
SECTION II: THE BONDS	1	Legal Opinions	17
General	1	Underwriting	18
Auction Rate Bonds	2	Continuing Disclosure Undertaking ..	18
Adjustable Rate Bonds	2	Financial Advisor	20
Payment Mechanism	2	Further Information	20
Enforceability of City Obligations ..	3	APPENDIX A—DEFINITIONS	A-1
Certain Covenants and Agreements ..	3	APPENDIX B—MULTI-MODAL BONDS ..	B-1
Use of Proceeds	4	APPENDIX C—LIQUIDITY PROVIDERS ..	C-1
Redemption	4	APPENDIX D—AUCTION RATE BONDS ..	D-1
Mandatory Redemption	4	APPENDIX E—SPECIMEN INSURANCE	
Optional Redemption	5	POLICIES	E-1
Mandatory and Optional Tender	6	APPENDIX F—FORM OF LEGAL	
Bond Insurance	6	OPINION	F-1
Bond Certificates	14		
Supplemental Certificates	16		

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

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

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

This Official Statement provides certain information concerning The City of New York (the "City") in connection with the sale of the variable rate portion of the City's General Obligation Bonds, Fiscal 2002 Series A (the "Multi-Modal Bonds" or the "Bonds"). The Multi-Modal Bonds consist of \$330,000,000 tax-exempt auction rate bonds (the "Auction Rate Bonds"), \$200,000,000 taxable adjustable rate bonds (the "Taxable Adjustable Rate Bonds" or the "Taxable Bonds"), and \$170,000,000 tax-exempt adjustable rate bonds (the "Tax-Exempt Adjustable Rate Bonds" and, together with the Taxable Adjustable Rate Bonds, the "Adjustable Rate Bonds"). The Auction Rate Bonds and the Tax-Exempt Adjustable Rate Bonds are referred to as the "Tax-Exempt Bonds." In addition to the \$700,000,000 Multi-Modal Bonds, \$400,000,000 of the City's General Obligation Bonds, Fiscal 2002 Series A will be issued as fixed rate bonds, which will be described in a separate official statement and are not offered hereby.

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 October 24, 2001, delivered herewith and relating to \$400,000,000 fixed rate General Obligation Bonds, Fiscal 2002 Subseries A-1, subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

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

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

SECTION II: THE BONDS

General

The Bonds will be general obligations of the City issued pursuant to the Constitution and laws of the State and the New York City Charter (the "City Charter") and in accordance with bond resolutions of the Mayor and a certificate of the Deputy Comptroller for Public Finance (the "Certificate"). The Bonds will

mature and bear interest as described on the inside cover page of this Official Statement and will contain a pledge of the City's faith and credit for the payment of the principal of, redemption premium, if any, and interest on the Bonds. All real property subject to taxation by the City will be subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, to pay the principal of, redemption premium, if any, and interest on the Bonds.

Auction Rate Bonds

\$330,000,000 of the Bonds are being issued as Auction Rate Bonds. The initial interest rate applicable to the Subseries A-2 Bonds will apply to the period commencing on the date of issuance of such Bonds to and including November 12, 2001. Thereafter, the Subseries A-2 Bonds will be in an Auction Rate Mode with an Auction Period of generally seven days. The first Auction for such Bonds will be held on November 9, 2001 and thereafter an Auction will generally occur on Monday of each week. The first Interest Payment Date is on November 13, 2001 and on each Tuesday thereafter, or if such Tuesday is not a Business Day, the next succeeding Business Day and at maturity. The initial interest rate applicable to the Subseries A-3 Bonds will apply to the period commencing on the date of issuance of such Bonds to and including November 13, 2001. Thereafter, the Subseries A-3 Bonds will be in an Auction Rate Mode with an Auction Period of generally seven days. The first Auction for such Bonds will be held on November 13, 2001 and thereafter an Auction will generally occur on Tuesday of each week. The first Interest Payment Date is on November 14, 2001 and on each Wednesday thereafter, or if such Wednesday is not a Business Day, the next succeeding Business Day and at maturity. The initial interest rate applicable to the Subseries A-4 Bonds will apply to the period commencing on the date of issuance of such Bonds to and including November 14, 2001. Thereafter, the Subseries A-4 Bonds will be in an Auction Rate Mode with an Auction Period of generally seven days. The first Auction for such Bonds will be held on November 14, 2001 and thereafter an Auction will generally occur on Wednesday of each week. The first Interest Payment Date is on November 15, 2001 and on each Thursday thereafter, or if such Thursday is not a Business Day, the next succeeding Business Day and at maturity. The initial interest rate applicable to the Subseries A-5 Bonds will apply to the period commencing on the date of issuance of such Bonds to and including November 12, 2001. Thereafter, the Subseries A-5 Bonds will be in an Auction Rate Mode with an Auction Period of generally seven days. The first Auction for such Bonds will be held on November 9, 2001 and thereafter an Auction will generally occur on Friday of each week. The first Interest Payment Date is on November 13, 2001 and on each Monday thereafter, or if such Monday is not a Business Day, the next succeeding Business Day and at maturity. For a discussion of the terms of the Auction Rate Bonds, see "APPENDIX D—AUCTION RATE BONDS—AUCTION PROCEDURES."

Adjustable Rate Bonds

\$370,000,000 of the Bonds are being issued as Adjustable Rate Bonds. The Subseries A-6 and Subseries A-7 Bonds will bear interest at the Initial Rate on November 1, 2001 and thereafter such Bonds will bear interest at a Daily Rate until converted to a different Rate Mode. The Subseries A-8 and Subseries A-9 Bonds will bear interest at the Initial Rate until November 6, 2001 and thereafter such Bonds will bear interest at a Weekly Rate until converted to a different Rate Mode. The remarketing of such Bonds will generally occur on Wednesday of each week. The Subseries A-10 and Subseries A-11 Bonds will bear interest at the Initial Rate until November 7, 2001 and thereafter such Bonds will bear interest at a Weekly Rate until converted to a different Rate Mode. The remarketing of such Bonds will generally occur on Thursday of each week. For a discussion of the terms of the Adjustable Rate Bonds, including optional and mandatory tender provisions, see "APPENDIX B—MULTI-MODAL BONDS."

Payment Mechanism

Pursuant to the New York State Financial Emergency Act For The City of New York (the "Financial Emergency Act" or the "Act"), a general debt service fund (the "General Debt Service Fund" or the "Fund") has been established for City bonds and certain City notes. Pursuant to the Act, payments of the City real estate tax must be deposited upon receipt in the Fund, and retained under a statutory formula, for the payment of debt service (with exceptions for debt service, such as principal of seasonal borrowings,

that is set aside under other procedures). The statutory formula has in recent years resulted in retention of sufficient real estate taxes to comply with the City Covenants (as defined in "SECTION II: THE BONDS—Certain Covenants and Agreements"). If the statutory formula does not result in retention of sufficient real estate taxes to comply with the City Covenants, the City will comply with the City Covenants either by providing for early retention of real estate taxes or by making cash payments into the Fund. The principal of and interest on the Bonds will be paid from the Fund until the Act expires on July 1, 2008, and thereafter from a separate fund maintained in accordance with the City Covenants. Since its inception in 1978, the Fund has been fully funded at the beginning of each payment period.

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

Enforceability of City Obligations

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

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

Certain Covenants and Agreements

The City will covenant that: (i) a separate fund or funds for the purpose of paying principal of and interest on bonds and interest on notes of the City (including required payments into, but not from, City sinking funds) shall be maintained by an officer or agency of the State or by a bank or trust company; and (ii) not later than the last day of each month, there shall be on deposit in a separate fund or funds an amount sufficient to pay principal of and interest on bonds and interest on notes of the City due and payable in the next succeeding month. The City currently uses the debt service payment mechanism described above to perform these covenants. The City will further covenant in the Bonds to comply with the financial reporting requirements of the Act, as in effect from time to time, and to limit its issuance of bond anticipation notes as required by the Act, as in effect from time to time. The City will also covenant to include as terms of the Multi-Modal Bonds certain provisions described in "APPENDIX A—DEFINITIONS", "APPENDIX B—MULTI-MODAL BONDS" and "APPENDIX D—AUCTION RATE 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 include in the Bonds the covenant of the State (the "State Covenant") to the effect, among other things, that the State will not substantially impair the authority of the Control Board in specified respects. The City will covenant to make continuing disclosure with respect to the Bonds (the "Undertaking") as summarized below under "Continuing Disclosure Undertaking." In the opinion of Bond Counsel, the enforceability of the City Covenants, the Undertaking, the State Pledge and Agreement and the State Covenant 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, the State Pledge and Agreement and the State Covenant shall be of no force and effect with respect to any Bond if there is a deposit in trust with a bank or trust company of sufficient cash or cash equivalents to pay when due all principal of, applicable redemption premium, if any, and interest on such Bond.

Use of Proceeds

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

Redemption

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

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

Mandatory Redemption

The Bonds are Term Bonds subject to mandatory redemption upon 30 days' notice to Bondholders, by lot within each stated maturity, on each November 1 at a redemption price equal to the principal amount thereof, plus accrued interest, without premium, in the amounts set forth below:

Subseries A-2		Subseries A-3	
<u>November 1</u>	<u>Amount</u>	<u>November 1</u>	<u>Amount</u>
2016	\$31,475,000	2029	\$15,050,000
2017	37,300,000	2030	41,375,000
2018	31,225,000*	2031	43,575,000*
Subseries A-4		Subseries A-5	
<u>November 1</u>	<u>Amount</u>	<u>November 1</u>	<u>Amount</u>
2027	\$ 3,525,000	2026	\$33,175,000
2028	37,275,000	2027	31,825,000*
2029	24,200,000*		
Subseries A-6		Subseries A-7	
<u>November 1</u>	<u>Amount</u>	<u>November 1</u>	<u>Amount</u>
2024	\$ 5,305,000	2023	\$ 4,260,000
2025	64,300,000	2024	55,740,000*
2026	395,000*		

* Stated Maturity

Subseries A-8		Subseries A-9	
<u>November 1</u>	<u>Amount</u>	<u>November 1</u>	<u>Amount</u>
2003	\$ 1,615,000	2021	\$39,270,000
2004	1,630,000	2022	52,575,000
2005	1,630,000	2023	28,155,000*
2006	1,630,000		
2008	1,630,000		
2009	1,630,000		
2011	1,630,000		
2012	1,630,000		
2022	2,005,000		
2023	24,970,000*		

Subseries A-10		Subseries A-11	
<u>November 1</u>	<u>Amount</u>	<u>November 1</u>	<u>Amount</u>
2019	\$10,590,000	2019	\$10,000,000
2020	37,690,000	2020	10,000,000*
2021	11,720,000*		

* Stated Maturity

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

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

Optional Redemption

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

The Bonds of a Subseries and maturity bearing interest at a Fixed Rate will be subject to redemption at the option of the City, beginning on the tenth anniversary of a Conversion to the Fixed Rate, in whole or in part, by lot within each maturity, on any date upon 30 days' notice to Bondholders, at a redemption price of 101%, which price shall decline annually by ½% per annum, until reaching a price of 100% on the twelfth anniversary, to remain in effect thereafter plus accrued interest to the date of redemption.

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

Prior to Conversion to a Fixed Rate, such optional redemption provisions may be amended if the City receives an opinion of Bond Counsel to the effect that such amendment is authorized by law and will not adversely affect the exclusion of interest on the Adjustable Rate Bonds from gross income for Federal income tax purposes.

Mandatory and Optional Tender

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

Bond Insurance

The following information pertaining to Ambac Assurance Corporation, Financial Guaranty Insurance Company, Financial Security Assurance Inc., MBIA Insurance Corporation and XL Capital Assurance Inc. have been supplied by Ambac Assurance Corporation, Financial Guaranty Insurance Company, Financial Security Assurance Inc., MBIA Insurance Corporation and XL Capital Assurance Inc., respectively. 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 policies to be issued by Ambac Assurance Corporation, Financial Guaranty Insurance Company, Financial Security Assurance Inc., MBIA Insurance Corporation and XL Capital Assurance Inc., respectively, 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 E—SPECIMEN INSURANCE POLICIES."

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac") has made a commitment to issue a financial guaranty insurance policy (the "Ambac Policy") related to the Subseries A-7 and Subseries A-8 Bonds (the "Ambac-Insured Bonds") effective as of the date of issuance of the Ambac-Insured Bonds. Under the terms of the Ambac Policy, Ambac will pay to The Bank of New York, in New York, New York or any successor thereto (the "Ambac Trustee") that portion of the principal of and interest on the Ambac-Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Ambac Policy). Ambac will make such payments to the Ambac Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Ambac-Insured Bonds and, once issued, cannot be canceled by Ambac.

The Ambac Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Ambac-Insured Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Ambac-Insured Bonds, Ambac will remain obligated to pay principal of and interest on outstanding Ambac-Insured Bonds on the originally scheduled interest and principal

payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Ambac-Insured Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the City's Fiscal Agent has notice that any payment of principal of or interest on an Ambac-Insured Bond which has become Due for Payment and which is made to a Holder by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

The Ambac Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Ambac Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Ambac Policy, payment of principal requires surrender of Ambac-Insured Bonds to the Ambac Trustee together with an appropriate instrument of assignment so as to permit ownership of such Ambac-Insured Bonds to be registered in the name of Ambac to the extent of the payment under the Ambac Policy. Payment of interest pursuant to the Ambac Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac.

Upon payment of the insurance benefits, Ambac will become the owner of the Ambac-Insured Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Ambac-Insured Bond and will be fully subrogated to the surrendering Holder's rights to payment.

The insurance provided by the Ambac Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

Ambac is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$4,830,000,000 (unaudited) and statutory capital of approximately \$2,870,000,000 (unaudited) as of June 30, 2001. Statutory capital consists of Ambac's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac.

Ambac has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the City of the Ambac-Insured Bonds.

Ambac makes no representation regarding the Ambac-Insured Bonds or the advisability of investing in the Ambac-Insured Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac and presented under the heading "SECTION II: THE BONDS—Bond Insurance" and in APPENDIX E.

The parent company of Ambac, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and

Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac's financial statements prepared in accordance with statutory accounting standards are available from Ambac. The address of Ambac's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference. The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company's Current Report on Form 8-K dated January 24, 2001 and filed on January 24, 2001;
- 2) The Company's Current Report on Form 8-K dated March 19, 2001 and filed on March 19, 2001;
- 3) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and filed on March 28, 2001;
- 4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2001 and filed on May 15, 2001;
- 5) The Company's Current Report on Form 8-K dated July 18, 2001 and filed on July 23, 2001; and
- 6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2001 and filed on August 10, 2001.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above.

Financial Guaranty Insurance Company

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its municipal bond new issue insurance policy (the "FGIC Policy") for the Subseries A-9 and Subseries A-11 Bonds (the "FGIC-Insured Bonds"). The FGIC Policy unconditionally guarantees the payment of that portion of the principal of and interest on the FGIC-Insured Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent ("Financial Guaranty's Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of FGIC-Insured Bonds or the City's Fiscal Agent of the nonpayment of such amount by the City. Financial Guaranty's Fiscal Agent will disburse such amount due on any FGIC-Insured Bond to its owner upon receipt by Financial Guaranty's Fiscal Agent of evidence satisfactory to Financial Guaranty's Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a FGIC-Insured Bond includes any payment of principal or interest made to an owner of a FGIC-Insured Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The FGIC Policy is non-cancellable and the premium will be fully paid at the time of delivery of the FGIC-Insured Bonds. The FGIC Policy covers failure to pay principal of the FGIC-Insured Bonds on

their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the FGIC-Insured Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

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

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

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of March 31, 2001, the total capital and surplus of Financial Guaranty was approximately \$1.132 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: (212) 480-5187).

Financial Security Assurance Inc.

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("FSA") will issue the municipal bond insurance policy (the "FSA Policy") for the Subseries A-6 and the Subseries A-10 Bonds (the "FSA-Insured Bonds"). The FSA Policy guarantees the scheduled payment of principal of and interest on the FSA-Insured Bonds when due as set forth in the form of the FSA Policy included as part of Appendix E to this Official Statement.

The FSA Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

FSA is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and Dexia Crédit Local, the Liquidity Provider for the Subseries A-6 and Subseries A-10 Bonds. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or FSA is liable for the obligations of Financial Security.

At June 30, 2001, FSA's total policyholders' surplus and contingency reserves were approximately \$1,481,333,000 and its total unearned premium reserve was approximately \$766,018,000 in accordance with statutory accounting principles. At June 30, 2001, FSA's total shareholder's equity was approximately \$1,589,409,000 and its total net unearned premium reserve was approximately \$632,823,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the FSA-Insured Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The FSA Policy does not protect investors against changes in market value of the FSA Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in

applicable ratings or other causes. FSA makes no representation regarding the FSA-Insured Bonds or the advisability of investing in the FSA-Insured Bonds. FSA makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that FSA has provided to the Authority the information presented under this caption for inclusion in the Official Statement.

MBIA Insurance Corporation

Concurrently with the issuance of the Bonds, MBIA Insurance Corporation (“MBIA”) will issue its financial guaranty insurance policy (the “MBIA Policy”) for the Subseries A-4 and Subseries A-5 Bonds (the “MBIA-Insured Bonds”). 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 of 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, 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 concentra-

tions 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.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2000;
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001; and
- (3) The report on Form 8-K filed by the Company on January 30, 2001.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the MBIA-Insured Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under Filed No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2000, (2) the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, and (3) the report on Form 8-K filed by the Company on January 30, 2001) are available (i) over the Internet at SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914)273-4545.

As of December 31, 2000, MBIA had admitted assets of \$7.6 billion (audited), total liabilities of \$5.2 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, 2001, MBIA had admitted assets of \$8.1 billion (unaudited), total liabilities of \$5.8 billion (unaudited), and total capital and surplus of \$2.3 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, 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.

XL Capital Assurance Inc.

Concurrently with the issuance of the Bonds, XL Capital Assurance Inc. (“XLCA”) will issue its municipal bond insurance policy (“XLCA Policy”) for the Subseries A-2 and Subseries A-3 Bonds (the “XLCA-Insured Bonds”). Payment of principal of and interest on the XLCA-Insured Bonds when due will be insured by the XLCA Policy to be issued by XLCA simultaneously with the execution and delivery of the XLCA-Insured Bonds.

XLCA is a monoline financial guaranty insurance company incorporated on July 25, 1991 under the laws of the State of New York. XLCA is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, the State of New York, forty-two other states, the District of Columbia and Singapore. XLCA has license applications pending in the majority of the states in which it is not currently licensed.

XLCA is an indirect wholly owned subsidiary of XL Capital Ltd, a Cayman Islands corporation (“XL Capital Ltd”). Through its subsidiaries, XL Capital Ltd is a leading provider of insurance and reinsurance, including coverages relating to certain financial risks, to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The common stock of XL Capital Ltd is publicly traded in the United States and listed on the New York Stock Exchange. Neither XL Capital Ltd nor, except as set forth below, any subsidiaries or shareholders of XL Capital Ltd is obligated to pay the debts of or claims against the Insurer.

XLCA was formerly known as the London Assurance of America Inc. (“London”). On February 22, 2001, XLCA’s direct parent, XL Reinsurance America Inc. (“XL Re”), acquired 100% of the stock of London. XL Re merged its former financial guaranty subsidiary, known as XL Capital Assurance Inc. (formed September 13, 1999) with and into London, with London as the surviving entity. London immediately changed its name to XL Capital Assurance Inc. The name change is effective in the majority of states where the Insurer is licensed, including the State of New York. XLCA has applications pending to change its name with the insurance departments of several other states in the United States. All previous business of London was 100% reinsured to Royal Indemnity Company, the previous owner at the time of acquisition.

XLCA has entered into a facultative quota share reinsurance agreement with XL Financial Assurance Ltd, a monoline financial guaranty insurance company organized under the laws of Bermuda, and an affiliate of XLCA (“XLFA”). Pursuant to this reinsurance agreement, the Insurer expects to cede up to 90% of its business to XLFA. In addition, the obligations of XLFA to XLCA under the reinsurance agreement are unconditionally guaranteed by XL Insurance Ltd (“XLI”), a Bermuda company and one of the world’s leading excess commercial insurers. XLI is a wholly-owned indirect subsidiary of XL Capital Ltd. XLFA also has the benefit of a nine-year stop-loss reinsurance facility from an “AAA” rated reinsurer with coverage of \$100 million for losses in excess of \$250 million. As of December 31, 2000, the capital and surplus of XLI is approximately \$3.025 billion and the capital and surplus of XLFA is approximately \$281 million.

XLCA may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by the Insurer as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit the XLCA’s obligations under any financial guaranty insurance policy. Notwithstanding the capital support provided to XLCA described in this paragraph, the holders of the XLCA-Insured Bonds will have direct recourse against the Insurer only, and neither XLFA nor XLI will be directly liable to the holders of the XLCA-Insured Bonds.

XLCA and XLFA, XLCA's primary reinsurer, believe that they will not sustain any material claims as a result of the attacks on the World Trade Center on September 11, 2001, and related events. In addition, XLCA does not believe that these events will have a material adverse effect on its ability to pay claims on the XLCA-Insured Bonds.

XLCA's financial strength is rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and Fitch, Inc. ("Fitch"). In addition, XLCA has obtained a financial enhancement rating of "AAA" from S&P. These ratings reflect Moody's, S&P's and Fitch's current assessment of the Insurer's creditworthiness and claims-paying ability. The reinsurance arrangement with XLFA described above is integral to these ratings given XLCA's relatively small capital base.

The above ratings are not recommendations to buy, sell or hold securities, including the XLCA-Insured Bonds and are subject to revision or withdrawal at any time by Moody's, S&P or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the XLCA-Insured Bonds. XLCA does not guaranty the market price of the XLCA-Insured Bonds nor does it guaranty that the ratings on the XLCA-Insured Bonds will not be revised or withdrawn.

As of December 31, 1999, XLCA had total admitted assets of \$83,964,000 (audited), total liabilities of \$751,000 (audited) and total capital and surplus of \$83,213,000 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP"). As of December 31, 2000, XLCA had total admitted assets of \$86,959,000 (audited), total liabilities of \$5,275,000 (audited) and total capital and surplus of \$81,684,000 (audited) determined in accordance with SAP.

XLCA has filed the following information with entities designated as Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934:

(i) XLCA's consolidated financial statements for the years ended December 31, 2000 and 1999 prepared in accordance with generally accepted accounting principles, an independent auditor's report and notes relating to those statements;

(ii) XLCA's quarterly unaudited consolidated balance sheet as of March 31, 2001, unaudited condensed statement of operations and comprehensive income for the three month period then ended and unaudited condensed statement of cash flows for the three month period then ended, prepared in accordance with generally accepted accounting principles, and notes related to those condensed statements; and

(iii) XLCA's quarterly unaudited consolidated balance sheet as of June 30, 2001, unaudited condensed statement of operations and comprehensive income for the six month period then ended, unaudited condensed statement of changes in shareholder's equity for the six month period then ended and unaudited condensed statement of cash flows for the six month period then ended, prepared in accordance with generally accepted accounting principles, and notes related to those condensed statements.

XLCA is regulated by the Superintendent of Insurance of the State of New York. In addition, XLCA is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, XLCA is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. XLCA is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY XLCA, INCLUDING THE XL POLICY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

The principal executive offices of XLCA are located at 250 Park Avenue, 19th Floor, New York, New York 10177 and its telephone number at this address is (646)658-5900.

XLCA accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding XLCA and its affiliates set forth under this heading. In addition, XLCA makes no representation regarding the XLCA-Insured Bonds or the advisability of investing in the XLCA-Insured Bonds.

Bond Certificates

Book-Entry Only System

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct and Indirect Participants (referred to together as “Participants”) with DTC are registered in the name of Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC

has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Redemption notices shall be sent to 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 interest of each Direct Participant in such maturity to be redeemed.

Principal 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 City's fiscal agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal 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.

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

Discontinuance of the Book-Entry Only System

In the event that the book-entry only system is discontinued, the City will authenticate and make available for delivery replacement Bonds in the form of registered certificates. In addition, the following provisions would apply: principal of the Bonds will be payable in lawful money of the United States of

America to the registered owners thereof on the maturity date of the Bonds in immediately available funds at the office of the Fiscal Agent, The Bank of New York: if by hand, The Bank of New York, 510 Plaza, Corporate Trust Receipt and Delivery Department, New York, New York 10001, if by mail, The Bank of New York, P.O. Box 11265, New York, New York 10286, Attention: Fiscal Agent Department (101B-7E) or any successor fiscal agent designated by the City, and interest on the Bonds will be payable by wire transfer or by check mailed to the respective addresses of the registered owners thereof as shown on the registration books of the City as of the Record Date described in Appendix A immediately preceding the applicable interest payment date.

Supplemental Certificates

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

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

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

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

Tax Exemption

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

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

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

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the

earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

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

Taxable Bonds

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

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

Ratings

The City expects that ratings on the Bonds, will be received prior to November 1, 2001. The Auction Rate Bonds, Subseries A-2, A-3, A-4, and A-5 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, such Bonds will be entitled to the benefits of the applicable insurance policy. Subseries A-6, Subseries A-8, Subseries A-9, Subseries A-10 and Subseries A-11 Bonds are expected to be rated VMIG1/Aaa by Moody's, A-1+/AAA by Standard & Poor's and F-1+/AAA by Fitch, based upon the understanding that, upon delivery of such Bonds, such Bonds will be entitled to the benefits of the applicable Liquidity Facility and the applicable insurance policy. The Subseries A-7 Bonds are expected to be rated VMIG1/Aaa by Moody's, A-1/AAA by Standard & Poor's and F-1+/AAA by Fitch, based upon the understanding that, upon delivery of such Bonds, such Bonds will be entitled to the benefits of the applicable Liquidity Facility and applicable insurance 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 not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of such bonds. On 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 March 8, 1999, Fitch revised its rating of City bonds upward to A from A- and on September 15, 2000, Fitch revised its rating to A+.

Legal Opinions

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

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

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

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

Underwriting

The Auction Rate Bonds are being purchased for reoffering by Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc. and Salomon Smith Barney Inc., for whom Morgan Stanley & Co. Incorporated is acting as Lead Manager. The Underwriters of the Auction Rate Bonds have jointly and severally agreed, subject to certain conditions, to purchase such Bonds from the City at an aggregate underwriters' discount of \$1,063,903.04 and to make an initial public offering of such Bonds at prices that are not in excess of the initial public offering prices set forth on the inside cover page of this Official Statement. The Underwriters of the Auction Rate Bonds will be obligated to purchase all the Auction Rate Bonds if any such Auction Rate Bonds are purchased.

The Taxable Adjustable Rate Bonds are being purchased for reoffering by UBS PaineWebber Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, for whom UBS PaineWebber Inc. is acting as Lead Manager. The Underwriters of the Taxable Adjustable Rate Bonds have jointly and severally agreed, subject to certain conditions, to purchase such Taxable Adjustable Rate Bonds from the City at an aggregate underwriters' discount of \$142,838.93 and to make an initial public offering of such Bonds at prices that are not in excess of the initial public offering prices set forth on the inside cover page of this Official Statement. The Underwriters of the Taxable Adjustable Rate Bonds will be obligated to purchase all the Taxable Adjustable Rate Bonds if any such Taxable Adjustable Rate Bonds are purchased.

The Tax-Exempt Adjustable Rate Bonds are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bear, Stearns & Co. Inc., and UBS PaineWebber Inc., for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as Lead Manager. The Underwriters of the Tax-Exempt Adjustable Rate Bonds have jointly and severally agreed, subject to certain conditions, to purchase such Tax-Exempt Adjustable Rate Bonds from the City at an aggregate underwriters' discount of \$121,546.29 and to make an initial public offering of such Bonds at prices that are not in excess of the initial public offering prices set forth on the inside cover page of this Official Statement. The Underwriters of the Tax-Exempt Adjustable Rate Bonds will be obligated to purchase all the Tax-Exempt Adjustable Rate Bonds if any such Tax-Exempt Adjustable Rate Bonds are purchased.

The Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriters.

Certain of the Underwriters hold substantial amounts of City bonds and notes and MAC bonds and may, from time to time during and after the offering of the Bonds to the public, purchase and sell City bonds and notes (including the Bonds) and MAC bonds for their own accounts or for their accounts or for the accounts of others, or receive payments or prepayments thereon.

Continuing Disclosure Undertaking

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

- (a) within 185 days after the end of each fiscal year, to each nationally recognized municipal securities information repository and to any New York State information depository, core financial information and operating data for the prior fiscal year, including (i) the City's audited general

purpose financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data on the City's revenues, expenditures, financial operations and indebtedness generally of the type included herein by specific reference as Sections IV, V and VIII and under the captions "1996-2000 Summary of Operations" in Section VI and "Pension Systems" in Section IX of the Official Statement of the City included herein by specific reference; and

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

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

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

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

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

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

At the date hereof, there is no New York State information depository and the nationally recognized municipal securities information repositories are: Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; Standard & Poor's 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.

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 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, 59 Maiden Lane, 35th Floor, New York, NY 10038, 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, Fifth Floor, Room 517, Municipal Building, One Centre Street, New York, NY 10007. Financial plans are prepared quarterly, and the Comprehensive Annual Financial 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

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

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

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

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

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

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

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

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

“*Auction Period*” means (i) a Special Auction Period, (ii) with respect to Multi-Modal Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day, (iii) with respect to Multi-Modal Bonds in a seven-day Auction Period, a period of generally seven days beginning on a Tuesday for Subseries A-2 or a Wednesday for Subseries A-3 or a Thursday for Subseries A-4 or a Monday for Subseries A-5 (or in each case, if later, the day following the prior Auction Period) and ending on a Monday for Subseries A-2 or a Tuesday for Subseries A-3 or a Wednesday for Subseries A-4 or a Sunday for Subseries A-5 (or, in each case, if such day is not immediately followed by a Business Day, the day immediately preceding the next Business Day), (iv) with respect to Multi-Modal Bonds in a 28-day Auction Period, a period of generally 28 days, (v) with respect to Multi-Modal Bonds in a 35-day Auction Period, a period of generally 35 days, (vi) with respect to Multi-Modal Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period (unless such first day of the month is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (vii) with respect to Multi-Modal Bonds in a six-month Auction Period, a period of generally six months

(or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding April 30 or October 31 (unless such April 30 or October 31 is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); and if there is a conversion of Multi-Modal Bonds (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Monday with respect to the Subseries A-2 Bonds, Tuesday with respect to the Subseries A-3 Bonds, Wednesday with respect to the Subseries A-4 Bonds and Sunday with respect to the Subseries A-5 Bonds, (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion. The Initial Rate Period for each Subseries of Auction Rate Bonds commences on the date of delivery of such Bonds and ends on the date preceding the first Interest Payment Date.

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

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

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

“*Auction Rate Bonds*” means the Subseries A-2, A-3, A-4 and A-5 Bonds bearing interest at their Initial Rates and any Multi-Modal Bonds bearing interest at an Auction Rate.

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

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

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

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

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

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

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

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

(i) the Bond Insurer shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall take any corporate action to authorize any of the foregoing;

(ii) an involuntary case or other proceeding shall be commenced against the Bond Insurer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismitted and unstayed for a period of sixty days; or an order for relief shall be entered against the Bond Insurer under the federal bankruptcy laws as now or hereafter in effect; or

(iii) (i) the Superintendent of Insurance of the State of New York (or any successor to the duties of such Superintendent) shall apply for an order (1) pursuant to Section 7402 of the New York Insurance Law (or any successor provision thereto), directing him to rehabilitate the Bond Insurer, (2) pursuant to Section 7404 of the New York Insurance Law (or any successor provision thereto), directing him to liquidate the business of the Bond Insurer or (3) pursuant to Section 7416 of the New York Insurance Law (or any successor provision thereto), dissolving the corporate existence of the Bond Insurer;

(ii) a proceeding shall be commenced seeking the rehabilitation, liquidation, dissolution or conservation of the assets of the Bond Insurer or any substantial part thereof or any similar remedy and such proceeding shall remain undismitted and unstayed for a period of sixty days; or

(iii) the Bond Insurer shall be insolvent within the meaning of Section 1309 of the New York Insurance Law (or any successor provision thereto).

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

(a) the issuance of an order of rehabilitation, liquidation or dissolution of the Bond Insurer;

(b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property;

(c) the consent of the Bond Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it;

(d) the making by the Bond Insurer of an assignment for the benefit of creditors;

(e) the failure of the Bond Insurer to generally pay its debts as they become due;

(f) the initiation by the Bond Insurer of any actions to authorize any of the foregoing; or

(g) the commencement of an involuntary case or other proceeding against the Bond Insurer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case remaining undismitted and unstayed for a period of 60 days.

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

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

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

“*Broker-Dealer Fee*” means, unless otherwise specified in or pursuant to a Broker-Dealer Agreement in the discretion of the City, an amount due on any Interest Payment Date in an Auction Rate Period equal to (i) 0.25% per annum, multiplied by (ii) the principal amount of Auction Rate Bonds outstanding on the related Record Date, multiplied by (iii) the number of days in the preceding Auction Period, divided by (iv) 360.

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

“*Certificate*” means the Certificate of the Deputy Comptroller for Public Finance of the City, with respect to the Bonds, including all Exhibits, Schedules and Appendices.

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

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

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

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

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

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

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

“*Corporation*” means FGIC-SPI and any other Provider that is not a bank.

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

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

“*Daily Rate Period*” means a period commencing on one Business Day and extending to, but not including, the next succeeding Business Day, during which Multi-Modal Bonds bear interest at the Daily Rate.

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

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

“*Dexia*” means Dexia Crédit Local, acting through its New York Agency, the provider of the Liquidity Facilities for the Subseries A-6 and Subseries A-10 Bonds.

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

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

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

“*Event of Termination*” means, with respect to the Liquidity Facility provided by a Subseries Bank:

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

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

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

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

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

“*FGIC-SPI*” means FGIC Securities Purchase, Inc., the provider of the Liquidity Facilities for the Subseries A-9 and Subseries A-11 Bonds.

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

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

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

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

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

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

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

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

“Insurer” or *“Bond Insurer”* means Ambac Assurance Corporation, Financial Guaranty Insurance Company, Financial Security Assurance Inc., MBIA Insurance Corporation and XL Capital Assurance Inc. as appropriate with respect to a Subseries of the Multi-Modal Bonds, or any successor thereto.

“Interest Payment Date” means with respect to (i) each Initial Rate Period, any Daily Rate Period, or any Weekly Rate Period, the first Business Day of each month, (ii) any Commercial Paper Rate Period of six months or less, the Business Day next succeeding the last day of the Rate Period, (iii) any Commercial Paper Rate Period exceeding six months, the first Business Day of the sixth month and the Business Day next succeeding the last day of the Rate Period, (iv) any Term Rate Period, each May 1 and November 1 and the Business Day following the Period, or as specified by the City, (v) the Fixed Rate Period, May 1 and November 1 of each year, commencing as determined by the City, (vi) any Auction Period, (a) other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period, (b) that is a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, and (c) that is a Special Auction Period of (i) seven or more but fewer than 92 days, the Business Day immediately following such Special Auction Period, or (ii) 92 or more days, each thirteenth Monday after the first day of such Special Auction Period or the next Business Day if such Monday is not a Business Day and on the Business Day immediately following such Special Auction Period. If any such date is not a Business Day, the Interest Payment Date shall be the succeeding Business Day. With respect to all Bonds, interest shall be payable on each Mandatory Tender Date, redemption date or maturity date.

“Issue Date” means November 1, 2001.

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

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

“Liquidity Enhanced Bonds” means the Subseries A-6, A-7, A-8, A-9, A-10 and A-11 Bonds bearing interest at their Initial Rates and any Multi-Modal Bonds in the Daily Rate Mode, Weekly Rate Mode, Commercial Paper Mode or Term Rate Mode.

“Lloyds” means Lloyds TBS Bank plc, acting through its Miami Agency, the provider of a Liquidity Facility for the Subseries A-8 Bonds.

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

“Maximum Rate” means, with respect to (i) Taxable Liquidity Enhanced Bonds, 14%, (ii) Tax-Exempt Liquidity Enhanced Bonds, 9%, (iii) Purchased Bonds, 25% or (iv) all Bonds, such rate not exceeding 25% as may be specified by supplemental certificate.

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

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

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

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

“*Multi-Modal Bonds*” means \$700,000,000 of the City’s General Obligation Bonds, Fiscal 2002 Series A, consisting of Subseries A-2 through A-11.

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

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

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

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

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

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

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

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

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

service, the requirement of a rating by such rating service shall be disregarded. If the ratings for the Bonds are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Rate shall be the Maximum Tax-Exempt Auction Rate.

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

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

“*Purchase and Remarketing Fund*” means the Fiscal 2002 Series A Bonds Purchase and Remarketing Fund established pursuant to the Certificate.

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

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

“*Rate*” means the Initial Rate, any Daily Rate, Commercial Paper Rate, Weekly Rate, Term Rate, Purchased Bond Rate, the Fixed Rate or the Auction Rate.

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

“*Rate Period*” means each Initial Rate Period, any Daily Rate Period, any Commercial Paper Rate Period, any Weekly Rate Period, any Term Rate Period, the Fixed Rate Period or any Auction Period.

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

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

“*Rating Confirmation*” means a written notice from each Rating Agency that its rating on the Multi-Modal Bonds will not be suspended, withdrawn or reduced in Rating Category as a result of action proposed to be taken under the Certificate.

“*Record Date*” means, with respect to each Interest Payment Date, (i) during the Initial Rate Period, any Daily Rate Period, any Commercial Paper Rate Period, any Weekly Rate Period or any Auction Period, the close of business on the Business Day preceding such Interest Payment Date, and (ii) during any Term Rate Period (unless otherwise specified by the City) or the Fixed Rate Period, the close of business on the 15th day of the calendar month immediately preceding any Interest Payment Date.

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

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

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

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

“*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors and assigns; references to S&P are effective so long as S&P is a Rating Agency.

“*Scotia*” means The Bank of Nova Scotia, acting through its New York Agency, the provider of a Liquidity Facility of the Subseries A-7 Bonds.

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

“*Series 2002 A Bonds*”, “*Series A Bonds*” or “*Fiscal 2002 Series A Bonds*” means the City’s General Obligation Bonds, Fiscal 2002 Series A, to be issued November 1, 2001.

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

“*Standby Agreement*”, “*Liquidity Facility*” or “*Alternate Standby Agreement*” means an agreement providing, to the extent required by the LFL, for the purchase of any Liquidity Enhanced Bonds, as in effect from time to time.

“*Standby Purchaser*”, “*Provider*” or “*Bank*” means any provider of a Standby Agreement then in effect for Liquidity Enhanced Bonds. Initially, the Standby Purchasers for the respective Subseries are:

- Subseries A-6, A-10: Dexia
- Subseries A-7: Scotia
- Subseries A-8: Lloyds
- Subseries A-9, A-11: FGIC-SPI

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

“*Subseries Bank*” means Dexia, Lloyds, Scotia and any other Standby Purchaser that is a bank.

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

“*Subseries*” shall mean each Subseries in which the Series 2002 A Bonds are issued, or such other Subseries of Series 2002 A Bonds as may be identified from time to time.

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

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

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

- (a) Multi-Modal Bonds of the applicable Subseries shall cease for any reason whatsoever to be valid, binding and enforceable general obligations of the City and the Bond Insurer shall not have either confirmed in writing (signed by an authorized officer) that the bond insurance policy is in full force and effect or provided an opinion of internal counsel to the Bond Insurer or external counsel experienced in such matters to the effect that the bond insurance policy is in full force and effect notwithstanding the invalidity or unenforceability of the related Bonds;

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

(c) any governmental authority with competent jurisdiction shall announce, find or rule that the applicable bond insurance policy is not valid and binding on the Bond Insurer; or

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

“*TBMA Municipal Index*” means the TBMA Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company or its successor; or, if at the time a Weekly Rate is to be determined Municipal Market Data has not provided the relevant information on the TBMA Municipal Index for the most recent Wednesday, then the rate determined by Municipal Market Data on the Tuesday next preceding the beginning of the Weekly Rate Period for which such Weekly Rate is to be determined.

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

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

“*Tender Notice*” means the notice delivered by the Holder of an Adjustable Rate Bond subject to optional tender pursuant to the Certificate.

“*Tendered Bond*” means an Adjustable Rate Bond or portion thereof of an Authorized Denomination mandatorily tendered or tendered at the option of the Holder thereof for purchase in accordance with the Certificate, including a Multi-Modal Bond or portion thereof deemed tendered, but not surrendered on the applicable Tender Date.

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

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

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

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

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

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

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

“*Weekly Rate Period*” means a period commencing on a Conversion Date or with respect to Subseries A-8 Bonds and Subseries A-9 Bonds, the Wednesday of a calendar week and extending to and including the next succeeding Tuesday, and with respect to Subseries A-10 and Subseries A-11 Bonds, the Thursday of a calendar week and extending to and including the next succeeding Wednesday.

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

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MULTI-MODAL BONDS

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

General

\$700,000,000 aggregate principal amount of the City’s General Obligation Bonds, Fiscal 2002 Series A, are to be issued as Multi-Modal Bonds, of which \$330,000,000 designated as Subseries A-2, Subseries A-3, Subseries A-4 and Subseries A-5 will (after the Initial Rate Period) be in the Auction Rate Mode (the “Auction Rate Bonds”) until converted to a different Rate Mode. See “APPENDIX D—AUCTION RATE BONDS” for information regarding the Auction Rate Bonds. The remaining portion of the Multi-Modal Bonds designated Subseries A-6, A-7, A-8, A-9, A-10 and A-11 will (after the Initial Rate Period) be in the Daily Rate Mode or the Weekly Rate Mode until converted to a different Rate Mode.

The Subseries A-6 and Subseries A-7 Bonds will bear interest at the Initial Rate on November 1, 2001 and thereafter at a Daily Rate until converted to a different Rate Mode. The Subseries A-8 and Subseries A-9 Bonds will bear interest at the Initial Rate until November 6, 2001 and thereafter at a Weekly Rate until converted to a different Rate Mode. The Subseries A-10 and Subseries A-11 Bonds will bear interest at the Initial Rate until November 7, 2001 and thereafter at a Weekly Rate until converted to a different Rate Mode. The Subseries A-2, A-3, A-4 and A-5 Bonds will bear interest at their Initial Rates until the date preceding the respective first Interest Payment Date and thereafter will bear interest at Auction Rates until converted to a different Rate Mode. Unless a Liquidity Condition is in effect, the Liquidity Enhanced Bonds are subject to mandatory tender for purchase as described under “Mandatory Tender for Purchase” and so long as such Bonds are in a Daily Rate Mode or Weekly Rate Mode, are subject to optional tender for purchase as described under “Optional Tender for Purchase.” The Multi-Modal Bonds will continue in a Rate Mode until converted to another Rate Mode and will bear interest at a rate determined in accordance with the procedures for determining the interest rate during such Rate Mode. See “Conversion to an Alternate Rate Mode” and “Interest Rates and Reset Dates” below.

During the Initial Rate Period for the Liquidity Enhanced Bonds, a Daily Rate Period, a Commercial Paper Rate Period or a Weekly Rate Period, interest will be computed on the basis of a 365-day or 366-day year for the actual number of days elapsed and during a Term Rate Period and the Fixed Rate Period, interest will be computed on the basis of a 360-day year of twelve 30-day months. During the Initial Rate Period for the Auction Rate Bonds and during an Auction Rate Mode with an Auction Period of less than six months, interest will be computed on the basis of a 360-day year for the actual number of days elapsed, and during an Auction Rate Mode with a six month Auction Period or a Special Auction Period of six months or more, interest will be computed on the basis of a 360-day year composed of twelve 30-day months.

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

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

Conversion to an Alternate Rate Mode

Subject to the conditions in the Certificate, the City may convert all or a portion of the Multi-Modal Bonds in one Rate Mode to a different Rate Mode by delivering a notice (the “Conversion Notice”) to, as applicable, the Remarketing Agent, the Standby Purchaser, DTC, the Broker-Dealers, the Auction

Agent, the Fiscal Agent and the Tender Agent specifying the Multi-Modal Bonds to be converted, the conversion date (the "Conversion Date") and the Rate Mode that will be effective on the Conversion Date. The Conversion Date for Liquidity Enhanced Bonds and Auction Rate Bonds is a Business Day that is either an Interest Payment Date or the first day of a Rate Period. The Conversion Date for Adjustable Rate Bonds in the Fixed Rate Mode is a potential optional redemption date. The City must deliver such Conversion Notice not less than 15 days prior to the Conversion Date or a shorter period if acceptable to the Fiscal Agent and DTC. The Tender Agent is to give written notice to the registered owner of each Liquidity Enhanced Bond of the City's election to convert to another Rate Mode and the Conversion Date. Such notice is to be given, by first-class mail, not later than three calendar days after receipt by the Tender Agent of the Conversion Notice.

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

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

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

Interest Rates and Reset Dates

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

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

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

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

Weekly Rate. The Weekly Rate is to be determined by the Remarketing Agent and announced by 4:00 p.m., New York City time, on each Tuesday, and if such Tuesday is not a Business Day, then the next preceding Business Day with respect to Subseries A-8 and Subseries A-9 Bonds, and on each Wednesday, and if such Wednesday is not a Business Day, then the next preceding Business Day with respect to Subseries A-10 Bonds and Subseries A-11 Bonds. The Weekly Rate Period means, with respect to Subseries A-8 and Subseries A-9 Bonds, a period commencing on a Wednesday and extending to and including the next succeeding Tuesday and, with respect to Subseries A-10 and Subseries A-11 Bonds, a period commencing on a Thursday and extending to and including the next succeeding Wednesday.

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

Commercial Paper Rate. The Commercial Paper Rate Period for each Adjustable Rate Bond in a Commercial Paper Rate Mode is to be determined by the Remarketing Agent and announced by 12:30 p.m., New York City time, on the first day of each Commercial Paper Rate Period. Commercial Paper Rate Periods may be from 1 to 365 days. If the Remarketing Agent fails to specify the next succeeding Commercial Paper Rate Period, such Commercial Paper Rate Period will be the shorter of (i) seven days or (ii) the period remaining to and including the final maturity date of the Adjustable Rate Bonds. Each Adjustable Rate Bond in a Commercial Paper Rate Mode is to bear interest during a particular Commercial Paper Rate Period at a rate per annum equal to the interest rate determined above corresponding to the Commercial Paper Rate Period. An Adjustable Rate Bond can have a Commercial Paper Rate Period and bear interest at a Commercial Paper Rate that differ from other Adjustable Rate Bonds in the Commercial Paper Rate Mode.

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

Term Rate. The Term Rate for any Term Rate Period is to be determined by the Remarketing Agent not later than a date two Business Days prior to the Conversion Date or the first day of the next Term Rate Period. If the Remarketing Agent is unable to remarket all of the Adjustable Rate Bonds at the interest rate determined by the Remarketing Agent pursuant to the previous sentence, the Remarketing Agent may at any time prior to the first day of a Term Rate Period increase the interest rate to that rate of interest which would be the lowest rate that would enable the Adjustable Rate Bonds to

be sold on such first day at a price of par, plus accrued interest, if any. No less than 20 Business Days prior to the end of each Term Rate Period, the City must deliver to the Fiscal Agent, the Tender Agent and the Remarketing Agent written notice of the City's determination of the next succeeding Term Rate Period, which Term Rate Period is to end on the day preceding a Business Day. However, if the City fails to specify the next succeeding Term Rate Period, such Term Rate Period will be the same period as the immediately preceding Term Rate Period but not later than a day preceding a Business Day that is prior to the maturity date.

If for any reason, the interest rate for the Adjustable Rate Bonds in the Term Rate Mode is not determined by the Remarketing Agent in the manner specified above, the interest rate will be equal to Municipal Market Data General Obligation Yield on bonds with the then long-term ratings as the Bonds that mature on a date that is as nearly as practical the same date as the date on which the new Term Rate Period for such Adjustable Rate Bonds will end. Such interest rate will be based upon the Municipal Market Data General Obligation Yield for the most recent period for which information is available on the date the interest rate is to be determined. If such index or its equivalent is no longer published, the interest rate on such Adjustable Rate Bonds will be the interest rate then in effect on such Adjustable Rate Bonds.

Fixed Rate. The Fixed Rate for any Fixed Rate Period is to be determined by the Remarketing Agent or other investment banking firm or firms with which the City has entered into an agreement for the purchase, as underwriters, of the Multi-Modal Bonds on the Conversion Date to the Fixed Mode as agreed to by the City. If a Fixed Rate has not been determined as aforesaid for any reason, then the former Rate Period will continue in effect, unless the City elects another Rate Mode in accordance with the Certificate.

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

Auction Rate. The Multi-Modal Bonds in the Auction Rate Mode will bear interest at the Auction Rate for each Auction Period as described below and in accordance with the Auction Procedures included in this Official Statement as Appendix D. The Auction Period commencing immediately after any change in the Rate Mode to an Auction Rate Mode will commence from and include the Conversion Date and will expire on the date determined and certified to the Fiscal Agent (with a copy to the Broker-Dealers and the Insurer) by the City on or before the Conversion Date. The initial Auction Date immediately after any change in the Rate Mode to an Auction Rate Mode will be the date determined and certified to the Fiscal Agent (with a copy to the Broker-Dealers, the Auction Agent and the Insurer) by the City on or before the Conversion Date. The Auction Rate for the first Auction Period immediately after any change in the Rate Mode to an Auction Rate Mode will be the rate of interest per annum determined and certified to the Fiscal Agent (with a copy to the City and the Insurer) by a Broker-Dealer on a date not later than the Conversion Date. With respect to the Subseries A-2, A-3, A-4 and A-5 Bonds, the Auction Period following each Initial Rate Period will be an Auction Period of generally seven days. Thereafter, each Auction Period will be an Auction Period of the same duration, unless such Auction Period is changed to another Auction Period as described in Appendix D hereto. The Auction Rate during such Auction Periods will be the rate of interest determined as described in Appendix D hereto.

Optional Tender for Purchase

General. So long as no Liquidity Condition is in effect, an Adjustable Rate Bond or any portion thereof equal to an Authorized Denomination may be tendered for purchase, at the Purchase Price, at the option of its registered owner on any Business Day during a Daily Rate Mode or the first day of a Weekly Rate Period (the "Optional Tender Date") upon giving notice of the registered owner's election to tender

in the manner and at the times described below. Notice of an election to tender an Adjustable Rate Bond registered in the name of DTC is to be given by the DTC Participant on behalf of the Beneficial Owner of the Adjustable Rate Bond and will not be given by DTC. Notice of the election to tender for purchase of an Adjustable Rate Bond registered in any other name is to be given by the registered owner of such Adjustable Rate Bond or its attorney-in-fact.

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

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

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

Mandatory Tender for Purchase

So long as no Liquidity Condition is in effect, the Liquidity Enhanced Bonds which are affected by the following actions are subject to mandatory tender and purchase at the Purchase Price on the following dates (each, a "Mandatory Tender Date"):

- (a) on each Conversion Date for the Adjustable Rate Bonds being converted to a different Rate Mode;
- (b) on the Business Day following each Rate Period for the Adjustable Rate Bonds in the Commercial Paper Rate Mode or the Term Rate Mode;
- (c) on a Business Day that is not less than three Business Days prior to the Expiration Date of any Liquidity Facility then in effect with respect to a Subseries of Adjustable Rate Bonds, which will be drawn upon to pay the Purchase Price of tendered Adjustable Rate Bonds, unless such Liquidity Facility has been extended, or a substitute delivered with Rating Confirmation or mandatory tender, at least 20 days prior to such Expiration Date;
- (d) unless a Rating Confirmation is provided, two Business Days before the effective date of a substitute Liquidity Facility delivered pursuant to the Certificate with respect to a Subseries of Adjustable Rate Bonds, on which date the Liquidity Facility in effect prior to the substitute liquidity facility will be drawn upon to pay the Purchase Price of tendered Adjustable Rate Bonds that are not remarketed; and
- (e) on a Business Day that is not less than one Business Day prior to the Termination Date of a Liquidity Facility relating to a Subseries of Adjustable Rate Bonds specified in the Default Notice delivered by the Standby Purchaser or its agent in accordance with the Liquidity Facility.

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

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

Bonds Deemed Purchased

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

The Bank of New York has been appointed as Tender Agent (the "Tender Agent") for the Adjustable Rate Bonds.

Purchase Price and Payment

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

The Purchase Price of a Tendered Bond held in a book-entry-only system will be paid, in same-day funds, to DTC in accordance with DTC's standard procedures for effecting same-day payments, as described herein under the heading "Book-Entry Only System." Payment will be made without presentation and surrender of the Tendered Bonds to the Tender Agent and DTC will be responsible for effecting payment of the Purchase Price to the DTC Participants.

The Purchase Price of any other Adjustable Rate Bond will be paid, in same-day funds, only after presentation and surrender of the Adjustable Rate Bond to the Tender Agent at its Delivery Office. Payment will be made by 2:30 p.m., New York City time, on the Tender Date on which an Adjustable Rate Bond is presented and surrendered to the Tender Agent.

The Purchase Price is payable solely from, and in the following order of priority, the proceeds of the remarketing of Adjustable Rate Bonds tendered for purchase, money made available by the Standby Purchaser under the Liquidity Facility then in effect and money furnished by or on behalf of the City (which has no obligation to do so).

No Extinguishment

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

Liquidity Conditions

Upon the occurrence of a Suspension Condition, the Subseries Bank's obligations to purchase the related Bonds shall immediately be suspended (but not terminated) without notice or demand to any

person and thereafter the Subseries Bank shall be under no obligation to purchase such Bonds (nor shall such Bonds be subject to optional or mandatory tender for purchase) unless and until the Subseries Bank's commitment is reinstated pursuant to the applicable Liquidity Facility. Promptly upon the occurrence of such Suspension Condition, the Subseries Bank shall notify the City, the Tender Agent, the Fiscal Agent and the Remarketing Agent of such suspension in writing and the Tender Agent shall promptly relay such notice to the Bondholders upon receipt; but the Subseries Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of its obligation to purchase such Bonds. If the Suspension Condition shall be cured as described in the applicable Liquidity Facility, the obligations of the Subseries Bank under the Liquidity Facility shall be reinstated (unless the Subseries Bank obligations shall have expired or shall otherwise have been terminated or suspended as provided in the Liquidity Facility).

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

Inadequate Funds for Tender

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

Remarketing of Bonds Upon Tender

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

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

Defeasance

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

Liquidity Facilities

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

Each owner of an Adjustable Rate Bond bearing interest at a Daily, Weekly, Commercial Paper Rate or Term Rate (and not defeased) will be entitled to the benefits and subject to the terms of the Liquidity Facility for such Bond. Under such Liquidity Facility, the Liquidity Provider agrees to make available to the Tender Agent, upon receipt of an appropriate demand for payment, the Purchase Price for Adjustable Rate Bonds of the stated Subseries. Each Liquidity Provider’s commitments under the Liquidity Facility will be sufficient to pay the Purchase Price of the Adjustable Rate Bonds as follows:

<u>Liquidity Provider</u>	<u>Subseries</u>	<u>Liquidity Facility Scheduled Expiration Date November 1,</u>
Dexia Crédit Local, acting through its New York Agency	A-6, A-10	2004
FGIC Securities Purchase, Inc.	A-9, A-11	2006
Lloyds TSB Bank plc, acting through its Miami Agency	A-8	2004
The Bank of Nova Scotia, acting through its New York Agency	A-7	2004

No Liquidity Provider is responsible for another Liquidity Provider’s performance of its obligations under a Liquidity Facility.

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

If a Liquidity Facility is to be extended or replaced, the City shall, not later than 20 days before the effective date of such extension or replacement, deliver to the Fiscal Agent and the Tender Agent Written

Notice of the extension or replacement. The City shall give Written Notice to each affected Bondholder at least 15 days prior to any extension, replacement or substitution.

The obligation of each Liquidity Provider to purchase Adjustable Rate Bonds pursuant and subject to the terms and conditions of the Liquidity Facility for such Bonds is effective so long as there exists no Liquidity Condition. The obligation of the City to repay amounts advanced by the Liquidity Provider in respect of such Liquidity Provider's purchase of Adjustable Rate Bonds shall be evidenced by the Bonds so purchased by such Liquidity Provider.

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

The preceding is a summary of certain provisions expected to be included in the Liquidity Facilities and proceedings under which the Multi-Modal Bonds are to be issued, and is subject in all respects to the underlying documents, copies of which will be available for inspection during business hours at the office of the Fiscal Agent. Information regarding, Dexia Crédit Local, acting through its New York Agency, FGIC Securities Purchase Inc., Lloyds TSB Bank plc, acting through its Miami Agency and The Bank of Nova Scotia, acting through its New York Agency is included herein as "APPENDIX C—LIQUIDITY PROVIDERS." Neither the City nor the Underwriters make any representation with respect to the information in "APPENDIX C—LIQUIDITY PROVIDERS."

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DEXIA CRÉDIT LOCAL

Dexia, created in 1996, is a major player on the European banking scene. A banking organization that is the product of cross-border mergers, Dexia is an authentically European Bank in terms of both its management organization and the scope of its different lines of business. Dexia is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of more than 17 billion euros as of March 14, 2001, Dexia ranks in the top third of the Euronext 100 companies.

Dexia Crédit Local is a Dexia subsidiary specialized in the group's first line of business—public and project finance and financial services for the public sector. Worldwide, Dexia Crédit Local federates group entities involved in this business and spearheads their development. Dexia Crédit Local has recognized expertise in local sector financing and project finance. It is backed by a network of specialized banks, which employ 2,500 professionals.

Through this network of subsidiaries, affiliates and branches, the bank is present in almost all of the countries of the European Union. It is progressively expanding its activities to Asia Pacific, South America and the Caribbean, and countries around the Mediterranean.

Dexia Crédit Local, known as Dexia Public Finance Bank (“Dexia PFB”) until March 8, 2001, is a bank with its principal office located in Paris, France.

In issuing the facility, Dexia Crédit Local will act through its New York Agency, which is licensed by the State of New York as an unincorporated agency of Dexia Crédit Local, Paris, and is licensed by the Banking Department of the State of New York.

Dexia Crédit Local is the leading local authority lender in Europe, funding its lending activities in 2000 primarily through the issuance of euro and US dollar denominated bonds. In 2000, total funding raised by Dexia Crédit Local and Dexia Municipal Agency was 11 billion euros.

The acquisition of Financial Security Assurance Holdings Ltd. (“FSA Holdings”), holding company for U.S. based bond insurer Financial Security Assurance Inc., by Dexia and Dexia Crédit Local was completed on July 5, 2000.

As of December 31, 2000, Dexia Crédit Local had total consolidated assets of 145.9 billion euros, outstanding medium and long term loans to customers of 117.6 billion euros and shareholders' equity of nearly 2.8 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 578 million euros. These figures were determined in accordance with generally accepted accounting principles in France. Dexia Crédit Local maintains its records and prepares its financial statements in euros. At December 31, 2000, the exchange rate was 1.0000 euro equals 0.9305 United States dollar. Such exchange rate fluctuates from time to time.

Dexia Crédit Local is rated Aa2 long-term and P-1 short-term by Moody's Investors Service, Inc., AA long-term and A-1+ short-term by Standard & Poor's Ratings Group, and AA+ long-term and F1+ short-term by Fitch, Inc.

Dexia Crédit Local will provide without charge a copy of its most recent publicly available annual report. Written request should be directed to Dexia Crédit Local, New York Agency, 445 Park Avenue, 8th Floor, New York, New York 10022, Attention: General Manager.

The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

FGIC SECURITIES PURCHASE, INC.

Information about FGIC Securities Purchase, Inc. is contained in the accompanying prospectus.

THE LLOYDS TSB BANK PLC

Lloyds TSB Bank plc (the “Bank”) is the wholly-owned subsidiary of Lloyds TSB Group plc (“LTSB Group”). The Bank and its subsidiaries (the “Bank’s Group”) comprise one of the leading United Kingdom-based financial services groups, whose businesses provide a comprehensive range of banking and financial services in the United Kingdom and overseas.

At the end of 2000, total assets of LTSB Group were £218 billion. Total consolidated assets of LTSB Group as of December 31, 1999 were approximately £176 billion. As of December 31, 2000, the total number of persons employed by LTSB Group and its subsidiaries were approximately 77,000.

The main business activities of the Bank’s Group during 2000 are described below.

UK Retail Financial Services

UK Retail Financial Services encompasses three of the Bank’s Group’s main businesses – (i) UK Retail Banking, (ii) Mortgages and (iii) Insurance and Investments – which provide a full range of banking and financial services to 16 million personal and small business customers in England, Scotland and Wales.

Wholesale Markets

The Bank’s Group’s relationships with major United Kingdom and multinational companies, banks and institutions and medium-sized United Kingdom businesses, together with its activities in financial markets, are managed through dedicated offices in the United Kingdom and a number of locations overseas, including New York and Tokyo.

International Banking

The Bank’s Group provides banking, investment and other financial services overseas in three main areas: (i) The Americas (including the international bank agency of the Bank in Miami, Florida), (ii) New Zealand and (iii) Europe and Offshore Banking.

Availability of Public Information

The Bank will provide, upon request, to each person to whom this Official Statement is delivered a copy of (i) the most recently available annual Report and Accounts of LTSB Group for the fiscal year ended as at December 31, 2000. Written requests should be directed to the Bank at 575 Fifth Avenue, New York, New York 10017; Attention: Financial Institutions.

THE BANK OF NOVA SCOTIA

The Bank of Nova Scotia ("Scotiabank" or the "Bank") was founded in 1832 in Halifax and currently employs more than 40,000 people in 1,654 branches and offices throughout the world. Scotiabank is a Canadian chartered bank with its principal office located in Toronto, Ontario.

Scotiabank's activities include providing a full range of retail, commercial and corporate banking services through its extensive network of branches located in all Canadian provinces and territories. Outside Canada, Scotiabank has branches and offices in over 50 countries and provides a wide range of banking and related financial services, both directly and through subsidiary and/or associated banks, trust companies and other financial firms.

For the fiscal year ended October 31, 2000, Scotiabank recorded total assets of CDN\$253.2 billion (US\$165.3 billion) and total deposits of CDN\$173.9 billion (US\$113.5 billion). Net income for the fiscal year ended October 31, 2000 equaled CDN\$1.926 billion (US\$1.257 billion), compared to CDN\$1.551 billion (US\$1.012 billion) for the prior fiscal year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of October 31, 2000 (1.000 United States dollar equals 1.5321 Canadian dollars).

For the quarter ended July 31, 2001, Scotiabank recorded total assets of CDN\$271.1 billion (US\$176.9 billion) and total deposits of CDN\$178.5 billion (US\$116.5 billion). Net income for the quarter ended July 31, 2001 equaled CDN\$554.0 million (US\$361.5 million), compared to CDN\$548.0 million (US\$357.6 million) for the same period the prior year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of July 31, 2001 (1.0000 United States dollar equal 1.5325 Canadian dollars).

Scotiabank will provide to anyone, upon written request, a copy of its most recent annual report, as well as, a copy of its most recent quarterly financial report. Requests should be directed to: The Bank of Nova Scotia, 1675 Broadway, 24th Floor, New York, New York 10019. Attention: Public Finance Department.

AUCTION RATE BONDS

General

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

Auction Period and Auction Rate

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

Interest Payment Dates

Interest will be payable initially on November 13, 2001 for the Subseries A-2 Bonds, November 14, 2001 for the Subseries A-3 Bonds, November 15, 2001 for the Subseries A-4 Bonds and November 13, 2001 for the Subseries A-5 Bonds and succeeding Interest Payment Dates will occur on each Tuesday for the Subseries A-2 Bonds, Wednesday for the Subseries A-3 Bonds, Thursday for the Subseries A-4 Bonds and Monday for the Subseries A-5 Bonds thereafter, or if any such day is not a Business Day, the next succeeding Business Day and at maturity. During Auction Periods other than the seven-day Auction Period, interest on the Bonds will be payable on an Interest Payment Date as described in Appendix A hereto. The record date for the Bonds is the Business Day preceding each Interest Payment Date.

Conversion of Auction Rate Bonds

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

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

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

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

Changes in Auction Procedures

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

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

Calculation of Maximum and Minimum Auction Rates

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

Auction Agent

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

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

Broker-Dealers

The Auction Agent will enter into Broker-Dealer Agreements with Morgan Stanley & Co. Incorporated, J.P. Morgan Securities Inc. and Salomon Smith Barney Inc. with respect to the Auction Rate Bonds, the initial Broker-Dealers specified by the City as the beneficial owners' agents. The City may, from time to time, approve one or more additional Broker-Dealers. Any Broker-Dealer may be removed upon 30 days' notice, at the request of the City, if a Broker-Dealer Agreement is in effect immediately following such removal. Any Broker-Dealer may resign upon 30 days' notice, if a Broker-Dealer Agreement is in effect immediately following such resignation.

Special Considerations Relating to the Auction Rate Bonds

In the event the Auction Agent fails to calculate, or for any reason fails to timely provide, the Auction Rate for any Auction Period, the interest rate for such Auction Period, with respect to the

Tax-Exempt Bonds, shall be the No Auction Tax-Exempt Rate; but if the Auction Procedures are suspended due to the failure to pay principal of or interest on any Tax-Exempt Bond, the interest rate for the next succeeding Auction Period shall be the Default Tax-Exempt Rate.

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

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

Morgan Stanley & Co. Incorporated has advised the City that it intends initially to make a market for the Bonds between Auctions. However, Morgan Stanley & Co. Incorporated 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.

Auction Procedures

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

For purposes of this section, the term "Bonds" refers to the Auction Rate Bonds (and not to the Taxable Bonds that may be converted to the Auction Rate Mode).

Orders by Existing Owners and Potential Owners

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Anything herein to the contrary notwithstanding:

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

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

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

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

Submission of Orders by Broker-Dealers to Auction Agent

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Determination of Auction Rate

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

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

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

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

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

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

Allocation of Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notice of Auction Rate

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

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

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

Index

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

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

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

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

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

Changes in Auction Period or Auction Date

(a) Changes in Auction Period.

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

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

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

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

(b) *Changes in Auction Date.*

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

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

[Signature of Robert J. Peadar]

President



[Signature of Anne J. Gill]

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

[Signature of Noranda Russo]

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

Ambac

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

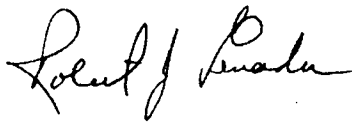
Effective Date of Endorsement:

The insurance provided by this Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In ~~witness~~ **Witness Whereof**, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation



President



Secretary

Authorized Representative

Form No.: 2B-0005 (7/97)

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



A GE Capital Company

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

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

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

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

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

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



A GE Capital Company

Municipal Bond New Issue Insurance Policy

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

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

Richard M. Reif

President

Effective Date:

Authorized Representative

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

[Signature]

Authorized Officer

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Form 9000 (10/93)

Page 2 of 2

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



A GE Capital Company

Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number: 0010001

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

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

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

Richard M. Reif

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

[Signature]

Authorized Officer

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

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



A GE Capital Company

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

Policy Number:

Control Number: 0010001

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

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

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

Deborah M. Reif

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

[Signature]

Authorized Officer

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

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.
Form E-0037 (10/93)

Page 1 of 1

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



A GE Capital Company

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

Policy Number:

Control Number: 0010001

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

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

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

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

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



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 pm (New York time) on such Business Day; otherwise it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy) in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. 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, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Counter signature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)



FINANCIAL GUARANTY INSURANCE POLICY

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

Policy No. [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 [PAYING AGENT/TRUSTEE] 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

Assistant Secretary

SPECIMEN



250 Park Avenue
New York, New York 10177
Telephone: (646) 658-5900

MUNICIPAL BOND INSURANCE POLICY

ISSUER: []

Policy No: []

BONDS: []

Effective Date: []

XL Capital Assurance Inc. (XLCA), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00 a.m. New York time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the 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, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount

became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XLCA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

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, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

SPECIMEN

Name:
Title

SPECIMEN

Name:
Title

SIDLEY AUSTIN BROWN & WOOD LLP

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

875 THIRD AVENUE
 NEW YORK, NEW YORK 10022
 TELEPHONE 212 906 2000
 FACSIMILE 212 906 2021
 www.sidley.com
 FOUNDED 1866

BEIJING
 HONG KONG
 LONDON
 SHANGHAI
 SINGAPORE
 TOKYO

November 1, 2001

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

Dear Comptroller Hevesi:

We have acted as counsel to The City of New York (the "City"), a municipal corporation of the State of New York (the "State"), in the City's issuance of its General Obligation Bonds, Fiscal 2002 Series A (the "Bonds").

The Bonds are issued pursuant to 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 of Subseries A-1 through A-8 (the "Tax-Exempt Bonds") is not includable in the gross income of the owners of the Tax-Exempt Bonds for purposes of Federal income taxation under existing law. Interest on the Tax-Exempt Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Tax-Exempt Bonds in the event of a failure by the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Tax-Exempt Bonds for Federal income tax purposes on or after the date on which any action is taken under the Bond proceedings upon the approval of counsel other than ourselves.

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

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,

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PROSPECTUS SUPPLEMENT
(To Prospectus dated May 31, 2001)

\$140,000,000
principal amount plus interest
Liquidity Facility
of
FGIC Securities Purchase, Inc.
in support of
THE CITY OF NEW YORK
General Obligation Taxable Adjustable Rate Bonds
Fiscal 2002 Subseries A-9 and A-11

Date of the Bonds: Date of Delivery

Subseries A-9 Due: November 1, 2023

Subseries A-11 Due: November 1, 2020

Liquidity Facility: We are providing a liquidity facility in the form of a standby bond purchase agreement for the bonds described in this prospectus supplement. The standby bond purchase agreement will expire five years from the date of delivery of the bonds, unless it is extended or terminated sooner in accordance with its terms.

Terms of the Bonds: The bonds will be general obligations of The City of New York, a municipality organized and existing under the laws of the State of New York. The City will pledge its faith and credit for the payment of 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, applicable redemption premium, if any, and interest on the bonds. The bonds are subject to mandatory and optional redemption prior to maturity and to optional and mandatory tender for purchase, as described in this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Our obligations under the standby bond purchase agreement are not being sold separately from the bonds. The bonds are being sold under a separate disclosure document. Our obligations may not be traded from the bonds. This prospectus supplement and the accompanying prospectus, appropriately supplemented, may also be delivered in connection with any remarketing of bonds purchased by us.

Unless the context otherwise requires, the terms the "company," "we," "us," or "our" mean FGIC Securities Purchase, Inc. You should read the information below under the heading "**The Company**," located in the prospectus accompanying this prospectus supplement.

UBS PAINWEBBER INC.

MERRILL LYNCH & CO.

The date of this Prospectus Supplement is October 24, 2001

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

INTRODUCTION

We are providing you with this prospectus supplement to furnish information regarding our obligations under a liquidity facility in support of \$140,000,000 aggregate principal amount of The City of New York General Obligation Taxable Adjustable Rate Bonds Fiscal 2002 Subseries A-9 and A-11, which will be issued on or about November 1, 2001 by The City of New York, a municipality organized and existing under the laws of the State of New York and will be governed by the terms of the Constitution and laws of the State of New York and the New York City Charter and bond resolutions of the Mayor of The City of New York and a certificate of the Deputy Comptroller for Public Finance dated November 1, 2001. The Bank of New York will act as fiscal agent and tender agent for the taxable adjustable rate bonds. We will enter into a standby bond purchase agreement with the tender agent, which will obligate us under certain circumstances to purchase unremarketed taxable adjustable rate bonds from the holders optionally or mandatorily tendering their taxable adjustable rate bonds for purchase. In order to obtain funds to purchase the taxable adjustable rate bonds, we will enter into a standby loan agreement with General Electric Capital Corporation, which will obligate GE Capital to loan funds to us as needed to purchase taxable adjustable rate bonds. Our obligations under the standby bond purchase agreement will expire five years from the date of delivery of the taxable adjustable rate bonds unless the standby bond purchase agreement is extended or terminated sooner in accordance with its terms.

DESCRIPTION OF THE BONDS

Payment Mechanism

Pursuant to the New York State Financial Emergency Act For The City of New York, a general debt service 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 general debt service 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 (set forth below). 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 general debt service fund. The principal of and interest on the taxable adjustable rate bonds will be paid from the general debt service 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 general debt service fund has been fully funded at the beginning of each payment period.

If the Control Board determines that retentions in the general debt service fund are likely to be insufficient to provide for the debt service payable from the retentions, 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 general debt service fund is adequate to meet debt service requirements.

Security

As required by the State Constitution and applicable law, the City will pledge 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 of those debt obligations at maturity. If the City fails to pay principal or interest of those debt obligations, 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 judgement against a municipality may not be enforceable against municipal property devoted to public use.

The rights of the owners of taxable adjustable rate 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 taxable adjustable rate bonds) to payment from money retained in the general debt service 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 general debt service fund, of the obligations of the City under the City covenants and of the State set forth below may be within the discretion of a court.

Certain Covenants and Agreements

The City will covenant that:

- 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) will be maintained by an officer or agency of the State or by a bank or trust company; and
- not later than the last day of each month, there will 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 taxable adjustable rate 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 from time to time.

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 or any right or remedy of any owner of the taxable adjustable rate bonds to enforce the City covenants. The City will include in the taxable adjustable rate bonds the covenant of the State to the effect, among other things, that the State will not substantially impair the authority of the Control Board in specified respects.

Use of Proceeds

The proceeds of the taxable adjustable rate bonds will be used for municipal capital purposes, including expenses of the City in connection with the issuance and sale of the taxable adjustable rate bonds.

General

\$140,000,000 aggregate principal amount of the City's General Obligation Bonds, Fiscal 2002 Series A-9 and A-11 are to be issued as taxable adjustable rate bonds, and will be in the daily rate mode or the weekly rate mode until converted to a different rate mode.

\$120,000,000 of the taxable adjustable rate bonds will be dated their date of delivery, will be issued in fully registered form, will bear interest at the initial rate until November 6, 2001 and thereafter will bear interest at a weekly rate until converted to a different rate mode. \$20,000,000 of the taxable adjustable rate bonds will be dated their date of delivery, will be issued in fully registered form and will bear interest at the initial rate until November 7, 2001 and thereafter will bear interest at a weekly rate until converted to a different rate mode. The taxable

adjustable rate bonds are subject to optional redemption prior to maturity and to mandatory tender for purchase. In addition, the taxable adjustable rate bonds, so long as such bonds are in a daily rate mode or weekly rate mode, are subject to optional tender for purchase. The taxable adjustable rate bonds will continue in a rate mode until converted to another rate mode and will bear interest at a rate determined in accordance with the procedures for determining the interest rate during such rate mode.

Principal and purchase price of, and redemption premium, if any, and interest on, the taxable adjustable rate bonds will be payable in lawful money of the United States of America. The taxable adjustable rate bonds will be issued only as fully registered bonds without coupons in authorized denominations of \$100,000 or any integral multiples of \$5,000 in excess of \$100,000. During the initial rate period for the taxable adjustable rate bonds, a daily rate period, a commercial paper rate period or a weekly rate period, interest will be computed on the basis of a 365-day or 366-day year for the actual number of days elapsed and during a term rate period and the fixed rate period, interest will be computed on the basis of a 360-day year of twelve 30-day months.

Interest on the taxable adjustable rate bonds will be payable on each interest payment date to the registered owner of those bonds shown on the registration books kept by the fiscal agent at the close of business on the record date.

Interest payable on the taxable adjustable rate bonds will be the interest accruing and unpaid through and including the day preceding the interest payment date.

Conversion to an Alternate Rate Mode

Subject to the conditions in the certificate of the Deputy Comptroller for Public Finance, the City may convert all or a portion of the taxable adjustable rate bonds in one rate mode to a different rate mode by delivering a notice to the remarketing agent for the taxable adjustable rate bonds being converted and the standby purchaser, DTC, the broker-dealers and the tender agent specifying the taxable adjustable rate bonds to be converted, the conversion date and the rate mode or rate modes that will be effective on the conversion date. The conversion date for taxable adjustable rate bonds is a business day that is either an interest payment date or the first day of a rate period. The City must deliver such conversion notice not less than 15 days prior to the conversion date or a shorter period if acceptable to DTC. The tender agent has agreed to give written notice to the registered owner of each taxable adjustable rate bonds of the City's election to convert to another rate mode and the conversion date. The transfer agent has agreed to give such notice, by first-class mail, not later than three calendar days after receipt by the tender agent of the conversion notice.

The tender agent, no later than three days after receipt of the conversion notice, has agreed to give notice by first-class mail to the holders of the taxable adjustable rate bonds to be converted, which notice will state:

- the conversion date;
- the rate mode or rate modes that will be effective on the conversion date;
- the ratings expected to be effective on the taxable adjustable rate bonds to be converted after the conversion date;
- that the rate mode or rate modes will not be converted unless the City receives on the conversion date a favorable opinion of bond counsel;
- the name and address of the principal corporate trust offices of the fiscal agent and tender agent;
- that the taxable adjustable rate bonds to be converted will be subject to mandatory tender for purchase on the conversion date at the purchase price;

- that upon the conversion, if there is on deposit with the tender agent on the conversion date an amount sufficient to pay the purchase price of the taxable adjustable rate bonds converted, the bonds not delivered to the tender agent will be deemed to have been properly tendered for purchase and will cease to represent a right on behalf of the holder of those bonds to the payment of principal of or interest on those bonds and will represent only the right to payment of the purchase price on deposit with the tender agent, without interest accruing on those bonds from and after the conversion date; and

- that upon the conversion to the commercial paper rate mode, term rate mode or the fixed rate mode, from and after the conversion date the taxable adjustable rate bonds converted will no longer be subject to optional tender for purchase.

If less than all of the taxable adjustable rate bonds subject to a particular rate mode or modes are to be converted to a new rate mode or modes, the particular taxable adjustable rate bonds which are to be converted to a new rate mode or modes will be selected by the fiscal agent in the manner as the fiscal agent deems appropriate subject to the provisions of the certificate of the Deputy Comptroller for Public Finance regarding authorized denominations of the taxable adjustable rate bonds subject to the rate mode.

If a favorable opinion of bond counsel cannot be obtained, or if the election to convert was withdrawn by the City, or if the remarketing agent has notified the fiscal agent, the City and the standby purchaser that it has been unable to remarket the taxable adjustable rate bonds on the conversion date, the adjustable rate bonds will bear interest in the previous rate mode or, at the option of the City and in compliance with the provisions of the certificate of the Deputy Comptroller for Public Finance regarding conversion of rate modes, any other rate mode selected by the City.

Interest Rates and Reset Dates

General. The rate at which the taxable adjustable rate bonds will bear interest during any rate period will be the rate of interest that, if borne by the taxable adjustable rate bonds for such rate period, in the judgment of the remarketing agent taking into account prevailing market conditions for comparable bonds or other securities, would be the lowest interest rate that would enable the taxable adjustable rate bonds to be sold at a price equal to the principal amount of those bonds, plus accrued interest on those bonds, if any. No rate period will extend beyond the scheduled expiration date of any standby bond purchase agreement then in effect.

Maximum Rate. The taxable adjustable rate bonds may not bear interest at a rate greater than 14%.

Daily Rate. The taxable adjustable rate bonds in a daily rate mode will bear interest at the daily rate. The daily rate for any business day will be determined by the remarketing agent and announced by 10:00 a.m., New York City time, on that business day. For any day which is not a business day, the daily rate will be the daily rate for the immediately preceding business day.

If a daily rate for a daily rate period has not been determined by the remarketing agent; no remarketing agent is serving under the certificate; the rate so established is held to be invalid or unenforceable with respect to a daily rate period; or pursuant to the remarketing agreement the remarketing agent is not then required to establish a daily rate, the daily rate for such daily rate period will be the TBMA Municipal Index on the date the daily rate was to have been determined by the remarketing agent.

Weekly Rate. The taxable adjustable rate bonds in a weekly rate mode will bear interest at the weekly rate. The weekly rate is to be determined by the remarketing agent and announced by 4:00 p.m., New York City time, on each Tuesday, and if such Tuesday is not a business day, then the next preceding business day with respect to \$120,000,000 of the taxable adjustable rate bonds, and on each Wednesday, and if such Wednesday is not a business day, then the next preceding business day with respect to \$20,000,000 of the taxable adjustable rate bonds. The weekly rate period means, with respect to \$120,000,000 of the taxable adjustable rate bonds, a period commencing on a Wednesday and extending to and including the next succeeding Tuesday. The weekly rate period means, with respect to \$20,000,000 of the taxable adjustable rate bonds, a period commencing on a Thursday and extending to and including the next succeeding Wednesday.

If: a weekly rate has not been determined by the remarketing agent; no remarketing agent is serving under the certificate; the weekly rate determined by the remarketing agent is held to be invalid or unenforceable with respect to a weekly rate period; or pursuant to the remarketing agreement, the remarketing agent is not then required to establish a weekly rate, the weekly rate will be the TBMA Municipal Index on the date the weekly rate was to be determined by the remarketing agent.

Commercial Paper Rate. Except as described below, the commercial paper rate period for each taxable adjustable rate bond in a commercial paper rate mode is to be determined by the remarketing agent and announced by 12:30 p.m., New York City time, on the first day of each commercial paper rate period. Commercial paper rate periods may be from 1 to 365 days. If the remarketing agent fails to specify the next succeeding commercial paper rate period, the commercial paper rate period will be the shorter of seven days or the period remaining to and including the final maturity date of the taxable adjustable rate bonds. The taxable adjustable rate bonds in a commercial paper rate mode (other than bonds held pursuant to the standby bond purchase agreement) will bear interest during a particular commercial paper rate period at a rate per annum equal to the interest rate determined above corresponding to the commercial paper rate period. A taxable adjustable rate bond can have a commercial paper rate period and bear interest at a commercial paper rate that differs from other taxable adjustable rate bonds in the commercial paper rate mode.

If: a commercial paper rate for a commercial paper rate period has not been determined by the remarketing agent; no remarketing agent is serving under the certificate; the commercial paper rate determined by the remarketing agent is held to be invalid or unenforceable with respect to a commercial paper rate period; or pursuant to the remarketing agreement, the remarketing agent is not then required to establish a commercial paper rate, the commercial paper rate will be the TBMA Municipal Index on the date the commercial paper rate period was to have been determined by the remarketing agent.

Term Rate. The taxable adjustable rate bonds in a term rate mode will bear interest at the term rate. Except as described below, the term rate for any term rate period will be determined by the remarketing agent not later than a date two business days prior to the conversion date or the first day of the next term rate period. If the remarketing agent is unable to remarket all of the taxable adjustable rate bonds at the interest rate determined by the remarketing agent as described in the previous sentence, the remarketing agent may at any time prior to the first day of a term rate period increase the interest rate to that rate of interest which would be the lowest rate that would enable the taxable adjustable rate bonds to be sold on such first day at a price of par, plus accrued interest, if any. No less than 20 business days prior to the end of each term rate period, the City has agreed to deliver to the fiscal agent, the tender agent and the remarketing agent written notice of the City's determination of the next succeeding term rate period, which term rate period is to end on a business day. However, if the City fails to specify the next succeeding term rate period, the term rate period will be the same period as the immediately preceding term rate period but not beyond the final maturity date of the bonds. Once the taxable adjustable rate bonds in the term rate mode are subject to optional redemption, the City may on any interest payment date convert the interest rate on all or part of the taxable adjustable rate bonds to a daily rate, a commercial paper rate or a fixed rate.

If for any reason, the interest rate for the taxable adjustable rate bonds in the term rate mode is not or cannot be determined by the remarketing agent in the manner specified above, the interest rate will be equal to Municipal Market Data General Obligation Yield on bonds with the then long-term ratings as the taxable adjustable rate bonds that mature on a date that is as nearly as practical the same date as the date on which the new term rate period for the taxable adjustable rate bonds will end. Such interest rate will be based upon the Municipal Market Data General Obligation Yield for the most recent period for which information is available on the date the interest rate is to be determined. If such index or its equivalent is no longer published, the interest rate on the taxable adjustable rate bonds will be the interest rate then in effect on the taxable adjustable rate bonds.

Fixed Rate. The taxable adjustable rate bonds in the fixed rate mode will bear interest at the fixed rate. The fixed rate for any fixed rate period will be determined by the remarketing agent or other investment banking firm or firms with which the City has entered into an agreement for the purchase, as underwriters, of the taxable adjustable rate bonds on the conversion date to the fixed mode as agreed to by the City. The fixed rate period means the period from and including the conversion date and extending to and including the date of maturity of the taxable adjustable rate bonds in the fixed rate mode or to, but not including, the conversion date on which the taxable adjustable rate bonds in the fixed rate mode are converted to another rate mode. If a fixed rate has not been determined as

described above for any reason, then the former rate period will continue in effect unless the City selects another interest rate mode.

Once the taxable adjustable rate bonds are converted to bear interest at the fixed rate, the taxable adjustable rate bonds will not be converted to bear interest at any other rate until such time as the taxable adjustable rate bonds are subject to optional redemption. Once the taxable adjustable rate bonds in the fixed rate mode are subject to optional redemption, the City may on any interest payment date convert the interest rate on all or part of the taxable adjustable rate bonds to a daily rate, a weekly rate, a commercial paper rate or a term rate, provided a liquidity facility is in effect to the extent required by the LFL. If for any reason a new interest rate is not determined, then the former rate period will continue in effect unless the City selects another interest rate mode.

Optional Tender for Purchase

General. The taxable adjustable rate bonds or any portion of those bonds equal to an authorized denomination may be tendered for purchase, at the purchase price, at the option of its registered owner on any business day during a daily rate mode or a weekly rate mode upon giving notice of the registered owner's election to tender in the manner and at the times described below. Notice of an election to tender a taxable adjustable bond registered in the name of DTC is to be given by the DTC participant on behalf of the beneficial owner of the taxable adjustable rate bond and will not be given by DTC. Notice of the election to tender for purchase of the taxable adjustable rate bond registered in any other name must be given by the registered owner of the taxable adjustable rate bond or its attorney-in-fact.

The notice must state the name of the registered owner of the beneficial owner and the principal amount of the taxable adjustable rate bond, the aggregate principal amount of the taxable adjustable rate bond to be tendered for purchase and the business day on which the taxable adjustable rate bond or portion of that bond to be tendered for purchase will be purchased.

A DTC participant or the registered owner of the taxable adjustable rate bond must give written notice of its irrevocable election to tender the taxable adjustable rate bond or a portion of that bond for purchase at its option to the tender agent and the remarketing agent at their respective principal offices, in the case of the taxable adjustable rate bonds bearing interest in a daily rate mode, by no later than 10:00 a.m. on any business day which the taxable adjustable rate bonds or portion of that bond is to be purchased and in the case of the taxable adjustable rate bonds bearing interest in a weekly rate mode by no later than 12:00 noon, New York City time, on the business day prior to the commencement date of the next weekly period for such bonds. In addition, the registered owner of the taxable adjustable rate bond is required to deliver the bond to the tender agent at its principal corporate trust office at or prior to 1:00 p.m., New York City time, on the optional tender date in the case of the taxable adjustable rate bonds bearing interest in a daily rate mode or a weekly rate mode.

The taxable adjustable rate bonds in a commercial paper rate mode, term rate mode or a fixed rate mode are not subject to optional tender for purchase.

Mandatory Tender for Purchase

The taxable adjustable rate bonds which are affected by the following actions are subject to mandatory tender and purchase at the purchase price on the following dates:

- on each conversion date for the taxable adjustable rate bonds being converted to a different rate mode;
- on the date following each rate period for the taxable adjustable rate bonds in the commercial paper rate mode or the term rate mode;
- on a date that is not less than three business days prior to the expiration date of any liquidity facility then in effect with respect to the taxable adjustable rate bonds, which will be drawn upon to pay the purchase price of tendered taxable adjustable rate bonds (or if such day is not a business day, on the

immediately preceding business day), unless such liquidity facility has been extended, or a substitute delivered with rating confirmation or mandatory tender, at least 20 days prior to such expiration date;

- unless a rating confirmation is provided two business days before the effective date of a substitute liquidity facility delivered pursuant to the certificate of the Deputy Comptroller for Public Finance with respect to the taxable adjustable rate bonds (or if such day is not a business day, on the immediately preceding business day), on which date the liquidity facility in effect prior to the substitute liquidity facility will be drawn upon to pay the purchase price of tendered taxable adjustable rate bonds that are not remarketed; and
- on a date that is not less than one business day prior to the termination date of a liquidity facility relating to the taxable adjustable rate bonds specified in the default notice delivered by the standby purchaser or its agent in accordance with the provisions of the liquidity facility (or if such date is not a business day, the immediately preceding business day).

Whenever the taxable adjustable rate bonds are to be tendered for purchase in accordance with the first bullet-point above, the tender agent will give notice to the holders of the taxable adjustable rate bonds indicating that the taxable adjustable rate bonds are subject to mandatory tender for purchase on the date specified in the notice. The tender agent is to give notice by first-class mail and not later than three calendar days after receipt by the tender agent of the conversion notice from the City. The failure of any holder of any portion of the taxable adjustable rate bonds to receive such notice will not affect the validity of the conversion to a new rate mode.

Whenever the taxable adjustable rate bonds are to be tendered for purchase in accordance with the third, fourth or fifth bullet point above, the tender agent will give notice to the holders of the taxable adjustable rate bonds indicating that the taxable adjustable rate bonds are subject to mandatory tender for purchase on the date specified in the notice. The tender agent is to give the notice by first-class mail and not less than five calendar days prior to the effective date of the expiration or earlier termination of the affected liquidity facility then in effect or of the effective date of a substitute liquidity facility or prior to the date specified in the no remarketing notice or the default notice. The failure of any holder of any portion of the taxable adjustable rate bonds to receive the notice will not affect the validity of the proceedings in connection with the effectiveness of the affected liquidity facility.

Bonds Deemed Purchased

The taxable adjustable rate bonds or portions of those bonds required to be purchased upon a tender at the option of the registered owner of those bonds or upon a mandatory tender will be deemed to have been tendered and purchased for all purposes of the certificate, irrespective of whether the taxable adjustable rate bonds have been presented and surrendered to the tender agent, if on the tender date moneys sufficient to pay the purchase price of those bonds are held by the tender agent. The former registered owner of a tendered bond or a taxable adjustable rate bond deemed to have been tendered and purchased will have no claim under that bond or under the certificate or otherwise for payment of any amount other than the purchase price, and the taxable adjustable rate bonds or portion of those bonds will no longer be outstanding for purposes of the certificate.

The Bank of New York has been appointed as tender agent for the taxable adjustable rate bonds.

Purchase Price and Payment

On each tender date, a tendered bond will be purchased at the applicable purchase price. The purchase price of a tendered bond is the principal amount of the taxable adjustable rate bonds to be tendered or the amount payable to the registered owner of a purchased bond following receipt by such owner of a purchase notice from the remarketing agent, plus accrued and unpaid interest from the immediately preceding interest payment date. If the date of purchase is an interest payment date, then the purchase price will not include accrued and unpaid interest, which will be paid to the holder of record on the applicable record date.

The purchase price of a tendered bond held in a book-entry-only system will be paid, in same-day funds, to DTC in accordance with DTC's standard procedures for effecting same-day payments. Payment will be made without presentation and surrender of the tendered bonds to the tender agent and DTC will be responsible for effecting payment of the purchase price to the DTC participants.

The Company will pay the purchase price of any other adjustable rate bond, in same-day funds, only after presentation and surrender of the adjustable rate bond to the tender agent at its delivery office. The Company will pay the purchase price by 2:30 p.m., New York City time, on the optional tender date or the mandatory tender date on which the taxable adjustable rate bonds are presented and surrendered to the tender agent.

The purchase price is payable solely from, and in the following order of priority, the proceeds of the remarketing of the taxable adjustable rate bonds tendered for purchase, money made available by the standby purchaser under any liquidity facility then in effect and money furnished by or on behalf of the City (which has no obligation to do so).

Remarketing of Bonds Upon Tender

Pursuant to the remarketing agreements, each remarketing agent is required to use its best efforts to remarket a tendered bond on its tender date at a price equal to the purchase price or, if the taxable adjustable rate bonds are being remarketed upon their conversion from the term rate mode or the fixed rate mode, the bonds will be remarketed at a price equal to par. The remarketing agreements set forth, among other things, certain conditions to the remarketing agents' obligations to remarket tendered bonds.

By 10:30 a.m., New York City time, on each tender date, the remarketing agent will give notice by telephone to the fiscal agent, the tender agent, the standby purchaser and the City specifying the principal amount of bonds which have been tendered for purchase and remarketed, along with the principal amount of tendered bonds, if any, for which it has not arranged a remarketing. The tender agent will, on such tender date, obtain funds under the applicable liquidity facility in accordance with its terms in an amount equal to the difference between the purchase price of the tendered bonds subject to purchase and the remarketing proceeds available to the tender agent.

Purchased Bonds

Purchased bonds will bear interest at the rates and be payable on the dates described in the taxable adjustable rate bonds. Bonds purchased under the standby bond purchase agreement may be sold when and as provided in the liquidity facility for the taxable adjustable rate bonds, and if remarketed at a daily, weekly, commercial paper term or fixed will no longer bear interest as purchased bonds. In no event will the rate of interest on the taxable adjustable rate bonds exceed 25% per annum.

Redemption of Bonds

The taxable adjustable rate bonds are subject to redemption prior to maturity at the option of the City, in whole or in part:

- if bearing interest at a daily, commercial paper or weekly, on any potential conversion date after defeasance of the taxable adjustable rate bonds; or
- if bearing interest as purchased bonds or at the highest rate provided by law for interest on accrued claims against municipalities on any date, in each case on 30 days' notice to bondholders at the principal amount of the bonds plus any interest accrued and unpaid on the bonds.

The City may select amounts, rate modes and maturities of the taxable adjustable rate bonds to be redeemed in its sole discretion. In the event that less than all taxable adjustable rate bonds of a maturity subject to redemption are to be redeemed, the City will select taxable adjustable rate bonds for redemption in the following manner:

- first, from taxable adjustable rate bonds, if any, of any rate mode and maturity subject to such redemption which are held by or for the liquidity provider;
- second, from other taxable adjustable rate bonds bearing interest as purchased bonds or at the highest rate provided by law for interest on accrued claims against municipalities; and
- third, by lot.

The taxable adjustable rate bonds will be subject to redemption at the option of the City:

- if bearing interest at a fixed rate, beginning on the tenth anniversary of the fixed rate conversion date, in whole or in part, by lot within each maturity, on any date upon 30 days' notice to bondholders, at a redemption price of 101%, which price will decline annually by 1/2% per annum, until reaching a price of 100% on the twelfth anniversary, to remain in effect after the twelfth anniversary plus accrued interest to the date of redemption; or
- if bearing interest at a term rate, in whole or in part, by lot within each maturity, on the date following any term rate period upon 30 days' notice to bondholders, at a redemption price of 100%, plus accrued interest to the date of redemption.

Prior to conversion to a fixed rate, the optional redemption provisions of the taxable adjustable rate bonds may be amended if the City receives an opinion of bond counsel to the effect that such amendment is authorized by law and will not adversely affect the exclusion of interest on the taxable adjustable rate bonds from gross income for Federal income tax purposes.

As term bonds, the taxable adjustable rate bonds are subject to mandatory redemption upon 30 days' notice to bondholders, at a redemption price equal to the principal amount of the bonds, plus accrued interest, without premium, in the amounts sets forth below:

<u>Principal Amount to be Redeemed</u>		
<u>November 1,</u>	<u>Subseries A-9</u>	<u>Subseries A-11</u>
2019		\$10,000,000
2020		10,000,000*
2021	\$39,270,000	
2022	52,575,000	
2023	28,155,000*	

* Stated Maturity

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

Defeased term bonds will at the option of the City no longer be entitled, but may be subject, to the provisions of the bonds for mandatory redemption.

Defeasance

For the purpose of determining whether the taxable adjustable rate bonds will be deemed to have been defeased, the interest to come due on the taxable adjustable rate bonds will be calculated at the maximum applicable

rate; and if, as a result of the taxable adjustable rate bonds having borne interest at less than the maximum rate for any period, the total amount on deposit for the payment of interest on the taxable adjustable rate bonds exceeds the total amount required, the balance will be paid to the City. In addition, the taxable adjustable rate bonds will be deemed defeased only if there has been deposited money in an amount sufficient for the timely payment of the maximum amount of principal of and interest on the taxable adjustable rate bonds that could become payable to the bondholders upon the exercise of any applicable optional or mandatory tender for purchase.

BOOK-ENTRY SYSTEM

DTC will act as securities depository for the taxable adjustable rate bonds. The taxable adjustable rate bonds will be issued as fully-registered bonds in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued in the aggregate principal amount of the taxable adjustable rate bonds and will be 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 deposit with it. DTC also facilitates the settlement among direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its direct participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a direct participant of DTC, either directly or indirectly. The rules applicable to DTC and its direct and indirect participants are on file with the Securities and Exchange Commission.

Purchases of the taxable adjustable rate 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, or "beneficial owner," of each bond 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 participants through which beneficial owners entered into the transaction. Transfers of ownership interests in the taxable adjustable rate bonds are to be accomplished by entries made on the books of DTC's participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the taxable adjustable rate bonds, unless the use of the book-entry system for the bonds is discontinued.

To facilitate subsequent transfers, all bonds deposited by direct participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. The deposit of bonds with DTC and their registration in the name of Cede & Co. or such other nominee 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 its direct participants to whose accounts the securities are credited, which may or may not be the beneficial owners. DTC's direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to its direct participants, by its direct participants to its indirect participants, and by its direct participants and its indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements which may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the taxable adjustable rate bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each of its direct

participants in that issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other nominee) will consent or vote with respect to the taxable adjustable rate bonds. Under its usual procedures, DTC mails an 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 taxable adjustable rate bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments and payments of purchase price with respect to the taxable adjustable rate bonds will be made to DTC. DTC's practice is to credit its direct participants' accounts, upon receipt of funds and corresponding detail information from the issuer or the trustee on payment dates 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 date payable. Payments by DTC's 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 the DTC participant and not of DTC, the trustee or the City subject to any statutory or regulatory requirements which may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the trustee, disbursement of those payments to direct participants will be the responsibility of DTC, and disbursement of those payments to the beneficial owners will be the responsibility of direct and indirect participants.

Regardless of the statements above, if any taxable adjustable rate bond is tendered but not remarketed, with the result that the taxable adjustable rate bond becomes owned by us, the trustee and the City will, if requested by us, take all action necessary to remove the taxable adjustable rate bonds from the book-entry system of DTC and to register that tendered but not remarketed bond in our name. Taxable adjustable rate bonds owned by us not in the book-entry system of DTC will be held by us, or at our option, by the trustee on our behalf, and for our benefit. When all taxable adjustable rate bonds owned by us have been remarketed, we no longer own any taxable adjustable rate bonds and we have been reinstated in full, the trustee and the City will take all actions necessary to return the taxable adjustable rate bonds to the full book-entry system of DTC.

The City and the underwriter cannot and do not give any assurances that DTC, DTC's participants or others will distribute payments of principal, interest or premium with respect to the taxable adjustable rate bonds paid to DTC or its nominee as the owner, or will distribute any prepayment notices or other notices, to the beneficial owners, or that they will do so on a timely basis or will serve and act in the manner described in this prospectus supplement. The City and the underwriter are not responsible or liable for the failure of DTC or any participant to make any payment or give any notice to a beneficial owner with respect to the taxable adjustable rate bonds or an error or delay relating thereto.

The description above of the procedures and record-keeping with respect to beneficial ownership interests in the taxable adjustable rate bonds, payment of principal, interest and other payments on the bonds to DTC's participants or beneficial owners of the taxable adjustable rate bonds, confirmation and transfer of beneficial ownership interests in such taxable adjustable rate bonds and other related transactions by and between DTC, DTC's participants and the beneficial owners of the taxable adjustable rate bonds is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC participants nor the beneficial owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or DTC's participants, as the case may be.

DTC may discontinue providing its services with respect to the taxable adjustable rate bonds at any time by giving notice to the trustee and discharging its responsibilities with respect thereto under applicable law or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, replacement certificates will be printed and delivered.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE TAXABLE ADJUSTABLE RATE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICES AND ITS CONTEXT OR

EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE TAXABLE ADJUSTABLE RATE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

THE STANDBY BOND PURCHASE AGREEMENT

Our obligations under the standby bond purchase agreement will rank equally with all of our other general unsecured and unsubordinated obligations. Our obligations are not issued under an authorizing document. As of the date of this prospectus supplement, we have approximately \$3.4 billion of obligations currently outstanding, not including the obligations described in this prospectus supplement.

Owners of the taxable adjustable rate bonds will be entitled to the benefits and will be subject to the terms of the standby bond purchase agreement. Under the standby bond purchase agreement, we agree to make available to a specified intermediary, upon receipt of an appropriate demand for payment, the purchase price for the taxable adjustable rate bonds. Our obligations under the standby bond purchase agreement will be sufficient to pay a purchase price equal to the principal of the taxable adjustable rate bonds and up to 35 days' interest on the taxable adjustable rate bonds at an assumed rate of 13% per year.

Termination Events

The scheduled expiration date of the standby bond purchase agreement is five years from the date of delivery of the taxable adjustable rate bonds, unless it is extended or terminated sooner in accordance with its terms.

Under certain circumstances, we may terminate our obligation to purchase taxable adjustable rate bonds. The following events would permit such termination:

- any portion of the commitment fee for the standby bond purchase agreement has not been paid when due by the City on the quarterly payment date and the failure will continue for seven days;
- failure by the City to observe or perform any covenant or agreement contained in the authorizing document and the failure will continue for 20 days;
- any default by the City will have occurred and be continuing in the payment of principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued, assumed or guaranteed by the City, or in the payment of any amounts payable under any lease, mortgage or conditional sale arrangement securing, with the consent of the City, as the case may be, the payment of any indebtedness of a public benefit corporation or other governmental agency, instrumentality or body for borrowed money (except to the extent that the obligation to make such payment is being disputed in good faith and, if appropriate, contested in proceedings diligently conducted and there is no default in the payment of the principal of or interest on the secured indebtedness);
- the City commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or in effect then or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or declares a moratorium, or takes any action to authorize any of the foregoing;
- an involuntary case or other proceeding commences against the City seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy,

insolvency or other similar law now or in effect then or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case remains undismissed and unstayed for a period of 60 days; or an order for relief will be entered against the City under the federal bankruptcy laws as now or in effect then;

- any material provision of the standby bond purchase agreement, the purchase agreement or any related document will cease for any reason whatsoever to be a valid and binding agreement or the City contest the validity or enforceability of those agreements; or;
- the City fails to pay when due any amount payable under any bonds (regardless of any waiver of that failure by the holders of the bonds).

If a termination event occurs, we may deliver notice to the City, the tender agent, the fiscal agent and the remarketing agent regarding our intention to terminate the standby bond purchase agreement. In that case, the standby bond purchase agreement would terminate, effective at the close of business on the 30th day following the date of the notice, or if that date is not a business day, on the next business day. Before the time at which termination takes effect, the taxable adjustable rate bonds will be subject to mandatory tender for purchase from the proceeds of a drawing under the standby bond purchase agreement. The termination of the standby bond purchase agreement, however, does not result in an automatic acceleration of the taxable adjustable rate bonds.

The obligations of the City are described in a separate disclosure document relating to the taxable adjustable rate bonds.

THE STANDBY LOAN AGREEMENT; GE CAPITAL

In order to obtain funds to fulfill our obligations under the standby bond purchase agreement, we will enter into a standby loan agreement with GE Capital, under which GE Capital will be irrevocably obligated to lend funds to us as needed to purchase taxable adjustable rate bonds. The amount of each loan under the standby loan agreement will be no greater than the purchase price for tendered taxable adjustable rate bonds. The purchase price represents the outstanding principal amount of the tendered taxable adjustable rate bonds and interest accrued on the principal to but excluding the date we borrow funds under the standby loan agreement. Each loan will mature on a date specified in the standby loan agreement, which will be set forth in the applicable prospectus supplement. The proceeds of each loan will be used only for the purpose of paying the purchase price for tendered bonds. When we wish to borrow funds under the standby loan agreement, we must give GE Capital prior written notice by a specified time on the proposed borrowing date. GE Capital will make available the amount of the borrowing requested no later than a specified time on each borrowing date (if GE Capital has received the related notice of borrowing by the necessary time on such date).

The standby loan agreement will expressly provide that it is not a guarantee by GE Capital of the taxable adjustable rate bonds or of our obligations under the standby bond purchase agreement. GE Capital will not have any responsibility or incur any liability for any act, or any failure to act, by us which results in our failure to purchase tendered taxable adjustable rate bonds with the funds provided under the standby loan agreement.

Ratio of Earnings to Fixed Charges

The following table sets forth the consolidated ratio of earnings to fixed charges of GE Capital for the periods indicated:

<u>Year Ended December 31,</u>					<u>Six Months</u>
<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Ended</u>
					<u>June 30, 2001</u>
1.53	1.48	1.50	1.60	1.52	1.60

For purposes of computing the consolidated ratio of earnings to fixed charges, earnings consist of net earnings adjusted for the provision for income taxes, minority interest, interest capitalized (net of amortization) and fixed charges. Fixed charges consist of interest on all indebtedness and one-third of annual rentals, which GE Capital believes reasonably approximates the interest factor of such rentals.

Where You Can Find More Information Regarding GE Capital

GE Capital files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information which GE Capital files at the SEC's public reference room located at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. GE Capital's SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at "<http://www.sec.gov>."

Incorporation of Information Regarding GE Capital

The SEC allows us to "incorporate by reference" information into this prospectus supplement, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, except for any information superseded by information in this prospectus supplement. This prospectus supplement incorporates by reference the documents set forth below that GE Capital has previously filed with the SEC. These documents contain important information about GE Capital, its business and its finances.

<u>Document</u>	<u>Period</u>
Annual Report on Form 10-K.....	Year ended December 31, 2000
Quarterly Reports on Form 10-Q.....	Quarters ended March 31, 2001 and June 30, 2001

LEGAL MATTERS

The legality of the obligations has been passed upon by in-house counsel to Financial Guaranty Insurance Company, an affiliate of ours.

EXPERTS

The financial statements and schedule of General Electric Capital Corporation and consolidated affiliates as of December 31, 2000 and 1999, and for each of the years in the three-year period ended December 31, 2000, appearing in GE Capital's Annual Report on Form 10-K for the year ended December 31, 2000, have been incorporated by reference in this prospectus supplement in reliance upon the report of KPMG LLP, independent certified public accountants, incorporated by reference in this prospectus supplement, and upon the authority of said firm as experts in accounting and auditing.

APPENDIX A

**TENDER TIMELINE
TENDERS FOR BONDS
PURCHASE DATE
(New York City time)**

11:30 a.m. [1]	11:45 a.m. [2]	2:15 p.m. [3]	2:30 p.m. [4]

1. Tender agent or the trustee will give immediate telephonic notice, in any event not later than 11:30 a.m. on the Purchase Date, to FGIC-SPI specifying the aggregate principal amount of bonds to be purchased by FGIC-SPI on the Purchase Date.
2. FGIC-SPI must give GE Capital prior written notice of a borrowing under the Standby Loan Agreement by 11:45 a.m. on the date of the proposed borrowing.
3. No later than 2:15 p.m. on each Purchase Date, GE Capital will make available the amount of borrowing requested.
4. FGIC-SPI purchases bonds, for which remarketing proceeds are unavailable, by 2:30 p.m. on the Purchase Date.

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\$1,000,000,000

principal amount plus interest

Liquidity Facility Obligations

of

FGIC Securities Purchase, Inc.

FGIC Securities Purchase, Inc. (the "Company") intends to offer from time to time, in connection with the issuance by municipal authorities or other issuers of adjustable or floating rate debt securities (the "Securities"), its obligations (the "Obligations") under one or more liquidity facilities (the "Liquidity Facilities"). The Obligations will not be sold separately from the Securities, which will be offered pursuant to a separate prospectus or offering statement. The Obligations will not be severable from the Securities and may not be separately traded. This Prospectus, appropriately supplemented, may also be delivered in connection with any remarketing of Securities purchased by FGIC Securities Purchase, Inc. or its affiliates.

Unless otherwise specified in a prospectus supplement to the Prospectus (a "Prospectus Supplement"), we will issue the Obligations from time to time to provide liquidity for certain adjustable or floating rate Securities issued by municipal or other issuers. We will describe the specific terms of the Obligations and the Securities to which they relate in a Prospectus Supplement. Each issue of Obligations may vary, where applicable, depending upon the terms of the Securities to which the issuance of Obligations relates.

We are a Delaware corporation that was incorporated in 1990. Our principal executive office is 115 Broadway, New York, New York 10006 and our telephone number is (212) 312-3000. Unless the context otherwise indicates, the terms "Company," "we," "us" or "our" mean FGIC Securities Purchase, Inc. You should read the information below under the heading "THE COMPANY."

These Securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is May 31, 2001

We have provided the information contained in this Prospectus. We are submitting this Prospectus in connection with the future sale of securities summarized below under the heading “SUMMARY,” and this Prospectus may not be reproduced or used, in whole or in part, for any other purposes.

The reader of this Prospectus should rely only on the information contained or incorporated by reference in this Prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

This Prospectus and the applicable Prospectus Supplement constitute a prospectus with respect to the Obligations of the Company under the Liquidity Facilities to be issued from time to time by us in support of the Securities. We do not anticipate that registration statements with respect to the Securities issued by municipal authorities will be filed under the Securities Act of 1933, as amended.

WHERE YOU CAN FIND MORE INFORMATION

We file annual and other reports and information with the Securities and Exchange Commission (the “Commission”). You may read and copy any of these documents at the Commission’s public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. Our Commission filings are also available to the public at the Commission’s web site at <http://www.sec.gov>. We do not intend to deliver to holders of the Obligations an annual report or other report containing financial information.

INCORPORATION BY REFERENCE

The Commission allows us to “incorporate by reference” the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this Prospectus and later information that we will file with the Commission will automatically update or supersede this information. We incorporate by reference (i) the Company’s Annual Report on Form 10-K for the year ended December 31, 2000 and (ii) the Company’s Quarterly Reports on Form 10-Q for the quarterly period ended March 31, 2001, heretofore filed with the Commission pursuant to Section 13 of the Securities Act of 1934, as amended. We also incorporate by reference any future filings made with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until such time as all of the Obligations covered by this Prospectus have been sold.

You may request a copy of these filings, at no cost, as follows: Corporate Communications Department, FGIC Securities Purchase, Inc., 115 Broadway, New York, New York 10006, Telephone: (212) 312-3000.

You should not assume that the information in this Prospectus and the accompanying Prospectus Supplement is accurate as of any date other than the date on the front of those documents regardless of the time of delivery of this Prospectus and the accompanying Prospectus Supplement or any sale of the Obligations. Additional updating information with respect to the matters discussed in this Prospectus and the accompanying Prospectus Supplement may be provided in the future by means of appendices or supplements to this Prospectus and the accompanying Prospectus Supplement or other documents including those incorporated by reference.

SUMMARY

The proposed structure will be utilized to provide liquidity through a “put” mechanism for floating or adjustable rate securities and other derivative debt securities issued by municipal authorities or other issuers. Such securities typically include a tender feature that permits broker-dealers to establish interest rates on a periodic basis which would enable the securities to be remarketed at par and that provides a secondary market liquidity mechanism for holders desiring to sell their securities. Such securities will be remarketed pursuant to an agreement under which the broker-dealers will be obligated to use “best efforts” to remarket the securities. In the event that the securities cannot be remarketed, the Company will be obligated, pursuant to a standby purchase agreement or similar contractual arrangement with the issuer, remarketing agent, tender agent or trustee of the securities, to purchase unremarketed securities, from the holders desiring to tender their securities (the “put option”) or upon certain other events. This facility will assure the holders of liquidity for their securities even when market conditions preclude successful remarketing.

The proposed structure may also be used in connection with concurrent offerings of variable rate demand securities (“VRDNs”) and convertible inverse floating rate securities (“INFLOs”). VRDNs and INFLOs are municipal derivative securities pursuant to which (i) the interest rate on the VRDNs is a variable interest rate which is re-set by the remarketing agent from time to time (not to exceed a stated maximum rate) (the “VRDN Rate”) and (ii) the interest rate on the INFLOs is concurrently re-set at a rate equal to twice a specified linked rate minus the fee charged by the Company for the Liquidity Facility. The Owners of VRDNs have the optional right to tender their VRDNs to the issuer for purchase and, in the event the remarketing agent does not successfully remarket the tendered VRDNs, the Company is obligated to pay the purchase price therefor pursuant to the terms of its liquidity facility.

If an Owner of INFLOs desires a fixed rate of interest not subject to fluctuation based on the inverse floating rate equation described above, such Owner may elect to purchase from VRDN holders an amount of VRDNs equal to the principal amount of INFLOs for which such INFLO Owner desires a fixed rate of interest. The net effect of such purchase is to “link” an equal principal amount of VRDNs and INFLOs and thereby set a fixed interest rate on the combined securities. If the Owner of such combined securities so elects, the owner may “de-link” his or her VRDNs and INFLOs. The remarketing agent will then remarket the VRDNs at a re-set interest rate and the INFLOs retained by the de-linking Owner will again continue to vary and to be re-set whenever the interest rate of the VRDNs are re-set. An INFLOs Owner may also elect to permanently link his or her INFLOs with an equal principal amount of VRDNs and thereby permanently fix the interest rate on the combined securities to their stated maturity; once permanent linkage is effected, no subsequent de-linkage is permitted.

Until such time as VRDNs are permanently linked to INFLOs, the VRDNs will remain subject to remarketing in the manner noted above and the Company will remain obligated to purchase unremarketed VRDNs in connection with the optional right of holders to tender their VRDNs for purchase.

The fees for providing the liquidity mechanism will be paid by the issuer or other entity specified in the applicable Prospectus Supplement, typically over the life of the liquidity agreement or, in the case of VRDNs, until such time as a VRDN is permanently linked with an INFLO. Except as otherwise provided in a Prospectus Supplement, in order to obtain funds to purchase unremarketed securities, the Company will enter into standby loan agreements with one or more financial institutions (the “Standby Lenders”) under which the Standby Lenders will be irrevocably obligated to lend funds to the Company as needed to purchase Securities for which the put option has been exercised. Except as otherwise provided in a Prospectus Supplement, the standby purchase agreement or similar contractual agreement between the Company and the trustee, issuer or other specified entity will provide that, without the consent of the issuer and the trustee for the security holders, the Company will not agree or consent to any amendment, supplement or modification of the related standby loan agreement, nor waive any provision thereof, if such amendment, supplement, modification or waiver would materially adversely affect the issuer or other specified entity, or the security holders. Except as otherwise provided in a Prospectus Supplement, the obligations of the Company under the standby purchase agreement or similar contractual agreement may only be terminated upon the occurrence of certain events of non-payment, default or insolvency on the part of the issuer or other specified entity. In the event of a termination of the obligations of the Company under the standby purchase agreement or similar contractual agreement, the securities will be subject to a mandatory tender. Prior to such time,

security holders will have the option to tender their securities, all as set forth in the applicable Prospectus Supplement.

The above structure is intended to receive the highest ratings from the rating agencies and to provide public issuers with the lowest cost of financing. There can be no assurances, however, that such ratings will be maintained.

THE COMPANY

The Company was incorporated in 1990 in the State of Delaware. All outstanding capital stock of the Company is owned by FGIC Holdings, Inc., a Delaware corporation.

Unless otherwise specified in a Prospectus Supplement, the business of the Company consists and will consist of providing liquidity for certain adjustable and floating rate Securities, issued by municipal authorities or other issuers, through Liquidity Facilities. The securities are typically remarketed by registered broker-dealers at par on a periodic basis to establish the applicable interest rate for the next interest period and to provide a secondary market liquidity mechanism for security holders desiring to sell their securities. Pursuant to standby purchase agreements or similar contractual agreements with issuers of the securities, the Company will be obligated to purchase unremarketed securities from the holders thereof who voluntarily or mandatorily tender their Securities for purchase. In order to obtain funds to purchase the Securities, the Company will enter into one or more standby loan agreements with Standby Lenders under which the Standby Lenders will be irrevocably obligated to lend funds as needed to the Company to purchase Securities as required.

The Company's principal executive offices are located at 115 Broadway, New York, New York 10006, Telephone No. (212) 312-3000.

THE LIQUIDITY FACILITIES

The Obligations will rank equally with all other general unsecured and unsubordinated obligations of the Company. The Obligations are not issued pursuant to an authorizing document.

Owners of the Securities will be entitled to the benefits and subject to the terms of the applicable Liquidity Facility as specified in the applicable Prospectus Supplement. Pursuant to the Liquidity Facilities, the Company will agree to make available to a specified intermediary, upon receipt of an appropriate demand for payment, the purchase price for the Securities to which such Liquidity Facility relates. The obligation of the Company under each Liquidity Facility will be sufficient to pay a purchase price equal to the principal of the Security to which such facility relates and up to a specified amount of interest at a specified rate set forth in the applicable Prospectus Supplement.

THE STANDBY LOAN AGREEMENT

In order to obtain funds to fulfill its obligations under the Liquidity Facilities, the Company will enter into one or more Standby Loan Agreements with one or more Standby Lenders under which the Standby Lenders will be irrevocably obligated to lend funds to the Company as needed to purchase the Securities to which the applicable Liquidity Facility relates. Each Standby Loan Agreement will have the terms set forth in the applicable Prospectus Supplement. It is anticipated that each loan under a Standby Loan Agreement will be in an amount not exceeding the purchase price for the Securities tendered by the holders which will represent the outstanding principal amount of such securities, premium, if any, and accrued interest thereon for a specified period. The proceeds of each loan will be used only for the purpose of paying the purchase price for tendered Securities. It is not anticipated that a Standby Lender will guarantee the Securities to which its Standby Loan Agreement relates or the Company's obligation under any Standby Purchase Agreement. Standby Lenders will be identified in the appropriate Prospectus Supplement.

PLAN OF DISTRIBUTION

The Obligations will not be sold separately from the Securities, which will be offered pursuant to a separate prospectus, official statement or offering circular.

EXPERTS

The financial statements of FGIC Securities Purchase, Inc. as of December 31, 2000 and 1999, and for each of the years in the three-year period ended December 31, 2000, appearing in FGIC Securities Purchase, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, have been incorporated by reference in the Prospectus in reliance upon the report of KPMG LLP, independent certified public accountants, incorporated by reference in the Prospectus, and upon the authority of said firm as experts in accounting and auditing.