



**CITY COUNCIL
ATLANTA, GEORGIA**

01-0-1893

SERIES 2001 BOND ORDINANCE

**AN ORDINANCE BY COUNCILMEMBER MICHAEL BOND
AS SUBSTITUTED BY FULL COUNCIL**

A SERIES 2001 BOND ORDINANCE TO RATIFY, REAFFIRM, SUPPLEMENT, AND AMEND THAT CERTAIN MASTER BOND ORDINANCE ADOPTED ON MARCH 31, 1999, AS SUPPLEMENTED AND AMENDED BY THAT CERTAIN FIRST SUPPLEMENTAL BOND ORDINANCE ADOPTED ON MARCH 5, 2001; TO PROVIDE FOR THE ISSUANCE BY THE CITY OF ATLANTA OF ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001A, ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001B, AND ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001C, (1) FOR THE PURPOSE OF REFUNDING A PORTION OF ITS OUTSTANDING WATER AND WASTEWATER REVENUE BONDS, SERIES 1999A, AND (2) FOR THE PURPOSE OF FINANCING THE COSTS OF MAKING ADDITIONS, EXTENSIONS, AND IMPROVEMENTS TO ITS WATER AND SEWER SYSTEM; TO PROVIDE TERMS, PROVISIONS, AND CONDITIONS FOR THE ISSUANCE OF ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001A, ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001B, AND ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001C; AND FOR OTHER RELATED PURPOSES.

SERIES 2001 BOND ORDINANCE

ADOPTED DECEMBER 5, 2001

BY THE CITY COUNCIL

OF THE CITY OF ATLANTA

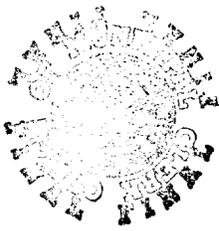
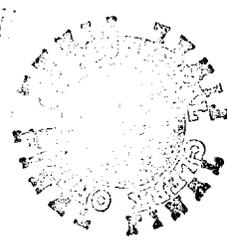


TABLE OF CONTENTS

This Table of Contents is for convenience of reference only
and is not part of this Series 2001 Bond Ordinance.

	<u>Page</u>
ARTICLE I - DEFINITIONS.....	6
Section 1.1. Definitions.....	6
Section 1.2. Interpretation.....	22
Section 1.3. Time.....	22
ARTICLE II - THE SERIES 2001 BONDS.....	23
Section 2.1. Authorization; Designation of Series 2001 Bonds.....	23
Section 2.2. Parity Certification.....	23
Section 2.3. Series 2001A Bond Details.....	24
Section 2.4. Form of Series 2001A Bonds.....	25
Section 2.5. Series 2001B Bond Details.....	38
Section 2.6. Series 2001C Bond Details.....	38
Section 2.7. Form of Series 2001B Bonds and Series 2001C Bonds.....	38
Section 2.8. DTC Book-Entry.....	47
ARTICLE III - MODAL BONDS.....	48
Section 3.1. Mode Titles; Title Change on Certain Mode Changes.....	48
Section 3.2. Changes in Connection with Certain Mode Changes.....	48
Section 3.3. Interest.....	49
Section 3.4. Payment of Interest.....	49
Section 3.5. Pledged Series 2001 Bonds.....	50
ARTICLE IV - INTEREST RATE DETERMINATIONS FOR VARIABLE RATE BONDS AND MODAL FIXED RATE BONDS.....	51
Section 4.1. Manner of Determining Interest Rates.....	51
Section 4.2. Interest Rate Determinations for Flexible Rate Mode.....	51
Section 4.3. Interest Rate Determinations for All Other Modes.....	52
Section 4.4. Failure of Interest Rate Determination.....	52
ARTICLE V - AUCTION RATE MODE.....	54
Section 5.1. Description of ARCs; Global Form; Depository.....	54
Section 5.2. Limitations on Transfer.....	55
Section 5.3. Interest on ARCs.....	55
Section 5.4. Payments.....	56
Section 5.5. Auction Procedures.....	56
Section 5.6. Certain Orders Not Permitted.....	64
Section 5.7. Notice of Payment Defaults and Cures; Payment of Service Charges.....	64



Section 5.8. Calculation of Maximum ARC Rate, All Hold Rate, and Default Rate..... 64

Section 5.9. Computation of Interest 64

Section 5.10. Notification of Rates, Amounts, and Payment Dates 65

Section 5.11. Adjustment in Percentages..... 66

Section 5.12. Market Agent 67

Section 5.13. Auction Agent 67

Section 5.14. Broker-Dealers 68

Section 5.15. Changes in Auction Periods or Auction Date 68

Section 5.16. Credit Ratings..... 70

Section 5.17. Certain Notices..... 70

Section 5.18. Purchases of ARCs 70

Section 5.19. Notice of Payment Default..... 70

Section 5.20. Selection of Initial Mode as Auction Rate Mode; Conversions from Variable Rate Bonds to ARCs..... 70

Section 5.21. Termination or Suspension of Auction Procedures..... 71

ARTICLE VI - MODES AND PERIODS..... 72

Section 6.1. Modes 72

Section 6.2. Duration of Modes..... 72

Section 6.3. Length of Flexible Rate Periods 73

Section 6.4. Limitations on Length of Flexible Rate Periods 73

Section 6.5. Length of Term Rate Periods 74

Section 6.6. Limitations on Length of a Term Rate Period 75

Section 6.7. Finance Officer Fails to Elect New Term Rate Period..... 75

Section 6.8. Effectiveness of Modes..... 75

Section 6.9. Conditions Precedent to Mode Change 76

Section 6.10. Election of Mode Change; How Effected; Irrevocability 77

Section 6.11. Selection of Variable Rate Bonds 78

Section 6.12. Contents of Mode Change Notice 78

Section 6.13. Notice to Variable Rate Modal Bondholders and Credit Issuers Holding Pledged Series 2001 Bonds 79

ARTICLE VII - REDEMPTION OF SERIES 2001 BONDS..... 80

Section 7.1. Optional and Mandatory Redemption of Series 2001A Bonds 80

Section 7.2. Optional Redemption - Short-Term and Term Rate Bonds 81

Section 7.3. Optional Redemption - Modal Fixed Rate Bonds 82

Section 7.4. Limitation on Optional Redemption..... 83

Section 7.5. Redemption of ARCs..... 83

Section 7.6. Sinking Fund Redemption of Modal Bonds 84

Section 7.7. Special Mandatory Redemption of Pledged Series 2001 Bonds 84



ARTICLE VIII - RIGHT OF OPTIONAL TENDER AND MANDATORY TENDER EVENTS.....	85
Section 8.1. Tender at Option of Modal Holder.....	85
Section 8.2. Mandatory Tender Events.....	86
Section 8.3. Mandatory Tender on Expiry Date.....	86
Section 8.4. Suspension of Optional Tender Rights.....	87
ARTICLE IX - TENDER AND PURCHASE OF MODAL BONDS.....	88
Section 9.1. Notice of Mandatory Tender.....	88
Section 9.2. Interest to No Longer Accrue.....	89
Section 9.3. Remarketing of Pledged Series 2001 Bonds.....	89
Section 9.4. Remarketing by Remarketing Agent; Priority to Pledged Series 2001 Bonds.....	89
Section 9.5. Draw Information to be Provided by Remarketing Agent; Transfer of Amounts.....	89
Section 9.6. Draws on Credit Facility Providing Liquidity Support.....	90
Section 9.7. City Not Obligated to Pay Purchase Price.....	90
Section 9.8. Payment of Purchase Price.....	90
Section 9.9. Tender of Less than all of Variable Rate Bond.....	90
Section 9.10. Notification and Delivery of Remarketed Tender Bonds.....	91
Section 9.11. Actions on Purchase Date.....	91
ARTICLE X - CREDIT FACILITY FUND AND REMARKETING FUND.....	93
Section 10.1. Creation of Funds and Accounts.....	93
Section 10.2. "Sufficient Time" for Payments under Credit Facilities.....	93
Section 10.3. Credit Support Draws.....	93
Section 10.4. Liquidity Support Draws.....	94
Section 10.5. Application of the Credit Facility Fund.....	94
Section 10.6. Application of the Remarketing Fund.....	95
Section 10.7. Subrogation Rights.....	95
Section 10.8. Pledged Series 2001 Bonds.....	95
Section 10.9. Investment of Moneys.....	96
Section 10.10. No Lien or Claims.....	96
Section 10.11. Money Held for Particular Modal Bonds.....	97
ARTICLE XI - CREDIT FACILITIES.....	98
Section 11.1. When Required.....	98
Section 11.2. Credit Facility Principal and Interest Requirements.....	98
Section 11.3. Terms of Conforming Credit Facilities.....	99
Section 11.4. Substitution of Credit Facilities.....	99
Section 11.5. Excluded Bonds.....	100
Section 11.6. Reduction and Cancellation.....	101
Section 11.7. Termination by Credit Issuer.....	101



ARTICLE XII - CONCERNING THE TENDER AGENT AND THE REMARKETING AGENT..... 103

Section 12.1. Tender Agent; Qualifications..... 103

Section 12.2. Responsibilities of Tender Agent..... 103

Section 12.3. Remarketing Agent..... 104

ARTICLE XIII - OTHER MODAL BOND PROVISIONS..... 105

Section 13.1. Limitation on Defeasance..... 105

Section 13.2. Amendments..... 105

Section 13.3. Notices to Rating Agencies..... 105

Section 13.4. Notices..... 105

Section 13.5. Payments Due and Acts to be Performed on Non-Modal Business Days..... 106

ARTICLE XIV - GENERAL PROVISIONS..... 107

Section 14.1. Authorization of Series 2001 Registrar and Paying Agent Agreement, Tender Agreement, and Remarketing Agreement..... 107

Section 14.2. Continuing Disclosure for Series 2001 Bonds..... 107

ARTICLE XV - SALE OF SERIES 2001 BONDS AND APPLICATION OF PROCEEDS; REFUNDING PROGRAM..... 108

Section 15.1. Sale of Series 2001 Bonds..... 108

Section 15.2. Application of Series 2001 Bond Proceeds..... 108

Section 15.3. Creation of the Series 2001 Escrow Fund..... 108

Section 15.4. Provision for Payment of the Refunded Bonds..... 109

Section 15.5. Series 2001 Escrow Agreement..... 109

Section 15.6. Termination of Rights..... 109

ARTICLE XVI - PROJECT FUND..... 110

Section 16.1. Series 2001A&B Project Account..... 110

Section 16.2. Series 2001C Project Account..... 110

ARTICLE XVII - SERIES 2001A CREDIT FACILITY, SERIES 2001B&C CREDIT FACILITY, SERIES 2001C CREDIT FACILITY, SERIES 2001B&C LIQUIDITY FACILITY, AND HEDGE AGREEMENTS..... 111

Section 17.1. Authorization..... 111

Section 17.2. Hedged Bonds..... 112

Section 17.3. Notices (Series 2001A Credit Facility)..... 112

Section 17.4. Consent Rights (Series 2001A Credit Facility)..... 112

Section 17.5. Exercise of Remedies (Series 2001A Credit Facility)..... 112

Section 17.6. Payments under the Series 2001A Credit Facility..... 113



	<u>Page</u>
Section 17.7. Provisions Relating to the Series 2001B&C Credit Facility	114
Section 17.8. Claims Upon the Series 2001B&C Credit Facility and Payments by and to the Series 2001B&C Credit Issuer.....	117
Section 17.9. Information To Be Furnished to Series 2001C Credit Issuer.....	119
Section 17.10. Redemption Notices (Series 2001C Credit Facility)	120
Section 17.11. Events of Default and Remedies (Series 2001C Credit Facility).....	120
Section 17.12. Supplemental Ordinances (Series 2001C Credit Facility).....	120
Section 17.13. Defeasance (Series 2001C Credit Facility).....	121
Section 17.14. Payment under the Series 2001C Credit Facility	121
Section 17.15. Notice Addresses (Series 2001C Credit Facility)	122
ARTICLE XVIII - MISCELLANEOUS PROVISIONS.....	123
Section 18.1. Continuance and Effect of Prior Ordinance.....	123
Section 18.2. Designation of Bond Registrar and Paying Agent for the Series 2001 Bonds	123
Section 18.3. Validation of Series 2001 Bonds.....	123
Section 18.4. Sale of Series 2001 Bonds	123
Section 18.5. Official Statements	124
Section 18.6. Effective Date.....	124
Section 18.7. Repeal of Conflicting Ordinances and Resolutions	124
Section 18.8. General Authorization	124
Section 18.9. Bond Ordinance Constitutes a Contract	125
EXHIBIT A ITEMS REQUIRED TO BE FURNISHED TO THE CITY TO AUTHORIZE THE ISSUANCE OF PARITY BONDS PURSUANT TO THE PROVISIONS OF ARTICLE V OF THE MASTER ORDINANCE	A-1
EXHIBIT B NOTICE OF CHANGE IN PERCENTAGES	B-1
EXHIBIT C NOTICE ESTABLISHING CHANGE IN LENGTH OF ONE OR MORE AUCTION PERIODS	C-1
EXHIBIT D NOTICE OF CHANGE IN AUCTION DATE.....	D-1
EXHIBIT E ACCRETED VALUES FOR SERIES 2001A BONDS THAT ARE COMPOUND INTEREST BONDS.....	E-1



CITY COUNCIL
ATLANTA, GEORGIA

SERIES 2001 BOND ORDINANCE

01-0-1893

**AN ORDINANCE BY COUNCILMEMBER MICHAEL BOND
AS SUBSTITUTED BY FULL COUNCIL**

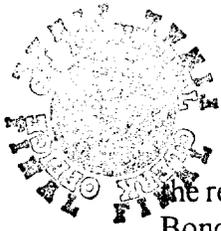
A SERIES 2001 BOND ORDINANCE TO RATIFY, REAFFIRM, SUPPLEMENT, AND AMEND THAT CERTAIN MASTER BOND ORDINANCE ADOPTED ON MARCH 31, 1999, AS SUPPLEMENTED AND AMENDED BY THAT CERTAIN FIRST SUPPLEMENTAL BOND ORDINANCE ADOPTED ON MARCH 5, 2001; TO PROVIDE FOR THE ISSUANCE BY THE CITY OF ATLANTA OF ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001A, ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001B, AND ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001C, (1) FOR THE PURPOSE OF REFUNDING A PORTION OF ITS OUTSTANDING WATER AND WASTEWATER REVENUE BONDS, SERIES 1999A, AND (2) FOR THE PURPOSE OF FINANCING THE COSTS OF MAKING ADDITIONS, EXTENSIONS, AND IMPROVEMENTS TO ITS WATER AND SEWER SYSTEM; TO PROVIDE TERMS, PROVISIONS, AND CONDITIONS FOR THE ISSUANCE OF ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001A, ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001B, AND ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001C; AND FOR OTHER RELATED PURPOSES.

WHEREAS, the City of Atlanta (the "City"), by a Master Bond Ordinance duly and validly adopted on March 31, 1999 (the "Master Ordinance"), authorized, issued, and delivered \$1,096,140,000 in original aggregate principal amount of its Water and Wastewater Revenue Bonds, Series 1999A (the "Series 1999A Bonds"), now outstanding in the aggregate principal amount of \$1,076,140,000, and authorized, issued, and delivered \$12,605,000 in original aggregate principal amount of its Water and Wastewater Revenue Bonds, Series 1999B (the "Series 1999B Bonds"), none of which are presently outstanding; and

WHEREAS, terms used in this Series 2001 Bond Ordinance and not otherwise defined herein shall have the meaning assigned to such terms in the Master Ordinance; and

WHEREAS, under the terms of the Master Ordinance, the Series 1999A Bonds and the Series 1999B Bonds were special limited obligations of the City payable solely from and secured by a first priority pledge of and lien on the Pledged Revenues; and

WHEREAS, the Master Ordinance provides that (1) in connection with the issuance of any Bonds or at any time thereafter so long as such Bonds remain Outstanding, the City may enter into Hedge Agreements with Qualified Hedge Providers, and no other providers, with respect to any Bonds, (2) the City shall authorize the execution, delivery, and performance of each Hedge Agreement in a Supplemental Ordinance, in which it shall designate the related Hedged Bonds, and (3) the City's obligation to pay Hedge Payments may be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by Section 4.1 of the Master Ordinance to secure



the related Hedged Bonds, or may be subordinated in lien and right of payment to the payment of the Bonds, as determined by the City; and

WHEREAS, pursuant to the terms of a First Supplemental Bond Ordinance duly and validly adopted on March 5, 2001 (the "First Supplemental Ordinance"), the City entered into an ISDA Master Agreement and related Schedule to the Master Agreement, each dated as of March 5, 2001 (collectively the "Series 1999A Swap Agreement") with UBS AG (the "Swap Provider"), as supplemented by (1) a Confirmation of Swap Transaction ("Confirmation #1"), dated March 5, 2001, relating to \$145,000,000 in aggregate principal amount of the Series 1999A Bonds maturing on November 1, 2029 and 2038 (the "Series 1999A-1 Hedged Bonds") and (2) a Confirmation of Swap Transaction ("Confirmation #2"), dated March 5, 2001, relating to \$71,850,000 in aggregate principal amount of the Series 1999A Bonds maturing on November 1, 2022 and 2038 (the "Series 1999A-2 Hedged Bonds"); and

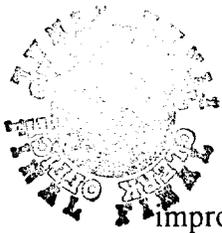
WHEREAS, under the terms of Confirmation #1, the Swap Provider paid the City a swap premium on or about the trade date of Confirmation #1, and, on a basis determined by reference to notional amounts corresponding in amount and date to the principal maturities of the Series 1999A-1 Hedged Bonds, effective May 1, 2005, (1) the Swap Provider agreed to pay the City a semi-annual fixed amount based on interest rates that are identical to the fixed interest rates on the Series 1999A-1 Hedged Bonds, and (2) the City agreed to pay the Swap Provider a monthly floating amount based on the BMA Municipal Swap Index; and

WHEREAS, under the terms of Confirmation #2, the Swap Provider paid the City a swap premium on or about the trade date of Confirmation #2, and, on a basis determined by reference to notional amounts corresponding in amount and date to the principal maturities of the Series 1999A-2 Hedged Bonds, effective May 1, 2004, (1) the Swap Provider agreed to pay the City a semi-annual fixed amount based on interest rates that are identical to the fixed interest rates on the Series 1999A-2 Hedged Bonds, and (2) the City agreed to pay the Swap Provider a semi-annual floating amount based on the BMA Municipal Swap Index minus 0.0656% per annum, subject to a floor of 5.00% per annum; and

WHEREAS, the First Supplemental Ordinance designated the Series 1999A-1 Hedged Bonds and the Series 1999A-2 Hedged Bonds as "Hedged Bonds" under the Master Ordinance and provided that the City's obligation to pay Hedge Payments under the Series 1999A Swap Agreement shall be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by the Master Ordinance to secure the Series 1999A-1 Hedged Bonds and the Series 1999A-2 Hedged Bonds; and

WHEREAS, the Master Ordinance provides for the issuance under certain conditions of Parity Bonds payable from and secured by Pledged Revenues and ranking on a parity as to the pledge of and lien on the Pledged Revenues with the Series 1999A Bonds and the Series 1999B Bonds; and

WHEREAS, the City has determined that by refunding Series 1999A Bonds maturing on the dates (consisting of no more than the following maturities: November 1, 2023 to 2038) and in the principal amounts to be selected by its Chief Financial Officer (the "Refunded Bonds"), it can achieve debt service savings; and



CORRECTED COPY

WHEREAS, the City has determined that there is a need for the acquisition, construction, improvement, betterment, and extension of the City's existing water and sewer system, all as generally described in the report dated December 5, 2001, prepared by the City's consulting engineers, Black & Veatch Corporation, Alpharetta, Georgia, and in accordance or substantially in accordance with plans and specifications on file from time to time with the City; and

WHEREAS, the City has determined that it is in the best interests of the citizens of the area served by the City's water and sewer system for the City to refund all of the outstanding Refunded Bonds, to make the additions, extensions, and improvements to the City's existing water and sewer system described above, and to finance the costs of the foregoing by issuing its Water and Wastewater Revenue Bonds, Series 2001A (the "Series 2001A Bonds") in the aggregate principal amount of \$415,310,000, its Water and Wastewater Revenue Bonds, Series 2001B (the "Series 2001B Bonds") in the aggregate principal amount of \$335,640,000, and its Water and Wastewater Revenue Bonds, Series 2001C (the "Series 2001C Bonds") in the aggregate principal amount of \$211,305,000; and

WHEREAS, the City has determined to enter into an ISDA Master Agreement, a Schedule to the Master Agreement, and an ISDA Credit Support Annex to the Schedule to the Master Agreement (collectively the "Series 2001 Swap Agreement") with the Swap Provider, to be supplemented by (1) a Confirmation of Swap Transaction ("Confirmation #3") relating to Series 2001B Bonds maturing on November 1, 2038, and in the principal amount to be selected by the Chief Financial Officer of the City (the "Series 2001B-1 Hedged Bonds"), (2) a Confirmation of Swap Transaction ("Confirmation #4") relating to Series 2001B Bonds maturing on November 1, 2038, and in the principal amount to be selected by the Chief Financial Officer of the City (the "Series 2001B-2 Hedged Bonds"), and (3) a Confirmation of Swap Transaction ("Confirmation #5") relating to Series 2001C Bonds maturing on November 1, 2041, and in the principal amount to be selected by the Chief Financial Officer of the City (the "Series 2001C Hedged Bonds"), each to be entered into between the City and the Swap Provider, the forms of which have been filed with the City; and

WHEREAS, under the terms of Confirmation #3, on a basis determined by reference to notional amounts corresponding in amount and date to the principal maturities of the Series 2001B-1 Hedged Bonds, (1) the City will agree to pay the Swap Provider a monthly fixed amount based on fixed interest rates, and (2) the Swap Provider will agree to pay the City a monthly floating amount based on the BMA Municipal Swap Index plus or minus a spread or a percentage of LIBOR; and

WHEREAS, under the terms of Confirmation #4, on a basis determined by reference to notional amounts corresponding in amount and date to the principal maturities of the Series 2001B-2 Hedged Bonds, (1) the City will agree to pay the Swap Provider a monthly fixed amount based on fixed interest rates, and (2) the Swap Provider will agree to pay the City a monthly floating amount based on the BMA Municipal Swap Index plus or minus a spread or a percentage of LIBOR; and

WHEREAS, under the terms of Confirmation #5, on a basis determined by reference to notional amounts corresponding in amount and date to the principal maturities of the Series 2001C Hedged Bonds, (1) the City will agree to pay the Swap Provider a monthly fixed amount based on fixed interest rates, and (2) the Swap Provider will agree to pay the City a monthly floating amount based on the BMA Municipal Swap Index plus or minus a spread or a percentage of LIBOR; and



WHEREAS, the Series 2001 Swap Agreement, Confirmation #3, Confirmation #4, and Confirmation #5 comply with the applicable provisions of the Master Ordinance and are being entered into in compliance with the procedures set forth in the "Resolution Establishing Procedures for Entering into Hedge Agreements for Revenue Bonds" adopted by the City Council of the City on February 5, 2001; and

WHEREAS, the Series 1999A Bonds and the Series 1999A Swap Agreement, as supplemented by Confirmation #1 and Confirmation #2, are the only presently outstanding revenue bonds or obligations of the City secured by a pledge of and lien on the Pledged Revenues, and the City is now complying in all respects with the terms, provisions, and covenants of the Master Ordinance, as supplemented and amended by the First Supplemental Ordinance, and is maintaining the respective special funds therein created in the full amount as required; and

WHEREAS, the Series 2001A Bonds, the Series 2001B Bonds, and the Series 2001C Bonds to be issued by the City shall be Parity Bonds payable from and secured by Pledged Revenues and shall rank on a parity as to the pledge of and lien on the Pledged Revenues with the Series 1999A Bonds, as permitted under Article V of the Master Ordinance; and

WHEREAS, the Master Ordinance provides that (1) in connection with the issuance of any Bonds under the Bond Ordinance, the City may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, premium, if any, or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the Credit Issuer, or providing funds for the purchase of such Bonds by the City, and in connection therewith the City shall enter into Credit Facility Agreements with such Credit Issuers providing for, among other things, (i) the payment of fees and expenses to such Credit Issuers for the issuance of such Credit Facilities; (ii) the terms and conditions of such Credit Facilities and the Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facilities, (2) the City may secure any Credit Facility by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as are specified by the City in the applicable Series Ordinance, (3) the City may in a Credit Facility Agreement agree to directly reimburse such Credit Issuer for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation shall be created for purposes of the Bond Ordinance until amounts are paid under such Credit Facility, (4) any such Reimbursement Obligation shall be deemed to be a part of the Bonds to which the Credit Facility relates which gave rise to such Reimbursement Obligation, and references to principal and interest payments with respect to such Bonds shall include principal and interest (except for Additional Interest and principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) due on the Reimbursement Obligation incurred as a result of payment of such Bonds with the Credit Facility, (5) all other amounts payable under the Credit Facility Agreement (including any Additional Interest and principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) shall be fully subordinate to the payment of debt service on the related class of Bonds, and (6) any such Credit Facility shall be for the benefit of and secure such Bonds or portion thereof as specified in the applicable Series Ordinance; and

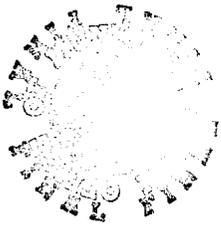


WHEREAS, the City has determined to enter into a Standby Bond Purchase Agreement with Dexia Credit Local, acting through its New York Agency (the "Series 2001B&C Liquidity Issuer"), and The Bank of New York, as tender agent, under the terms of which the Series 2001B&C Liquidity Issuer will agree to purchase Series 2001B Bonds and Series 2001C Bonds tendered for purchase and not remarketed, and the form of such Standby Bond Purchase Agreement has been filed with the City; and

WHEREAS, Section 5.6 of the Master Ordinance provides that (1) the City shall adopt a Series Ordinance authorizing the issuance of any additional Bonds and reciting that the requirements of Article V of the Master Ordinance have been satisfied, and shall set forth in such proceedings, among other things, the date or dates such additional Bonds shall bear and the rate or rates of interest, interest payment date or dates, maturity date or dates, and redemption provisions with respect to such additional Bonds and any other matters applicable to such additional Bonds as the City may deem advisable, and (2) any such Series Ordinance shall restate and reaffirm, by reference, all of the applicable terms, conditions, and provisions of the Bond Ordinance not modified by the Series Ordinance; and

WHEREAS, the Master Ordinance requires a Series Ordinance to establish the date or dates of the pertinent series of Bonds, the schedule of maturities of such Bonds, whether any such Bonds will be Compound Interest Bonds, the name of the purchaser(s) of such series of Bonds, the purchase price thereof, the rate or rates of interest to be borne thereby, whether fixed or variable, the interest payment dates for such Bonds, the terms and conditions, if any, under which such Bonds may be made subject to redemption (mandatory or optional) prior to maturity, the form of such Bonds, and such other details as the City may determine;

NOW, THEREFORE, The City Council of the City of Atlanta, Georgia, hereby ordains as follows:



ARTICLE I

DEFINITIONS

Section 1.1. Definitions. The definitions contained in the Master Ordinance, as supplemented and amended by the First Supplemental Ordinance, particularly Article I thereof, are hereby amended, modified, and supplemented as follows, and the following terms shall have the meanings specified below, unless the context clearly requires otherwise.

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

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

- (i) the AA Financial Commercial Paper Rate on such date; and
- (ii) 1.00 minus the Statutory Corporate Tax Rate on such date.



“All Hold Rate” on any date of determination means the interest rate per annum equal to 90% (as such percentage may be adjusted pursuant to Section 5.11 of this Series 2001 Ordinance) of the lesser on such date of:

- (i) the After-Tax Equivalent Rate on such date; and
- (ii) the Kenny Index on such date;

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

“Alternative Term Rate” means, for any Term Rate Determination Date, the index published or provided by Kenny Information Systems that is based on yield evaluations at par of securities, the interest on which is excluded from gross income for purposes of federal income taxation and are not subject to a “minimum tax” or similar tax under the Code (unless all tax-exempt securities are subject to such tax). The securities upon which the index is based shall include not less than five “high grade” component issuers selected by Kenny Information Systems, which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time-to-time by Kenny Information Systems in its discretion. The yield evaluation period for the index shall be a one year evaluation.

“Alternative Weekly Rate” means the BMA Municipal Swap Index, and if the BMA Municipal Swap Index ceases to be published, then a new third-party index shall be selected in good faith by the City that has the described composition and methodology of the BMA Municipal Swap Index to the extent there is such an index that is readily available to the Remarketing Agent.

“Amended Confirmations #1 and #2” means the two separate Amended and Restated Confirmations of Swap Transactions, each to be dated the date of its execution and delivery, between the City and the Swap Provider.

“Applicable ARCs Rate” shall have the meaning set forth in Section 5.3(b) of this Series 2001 Ordinance.

“Applicable Number of Auction Business Days” means the greater of two Auction Business Days or one Auction Business Day plus the number of Auction Business Days by which the Auction Date precedes the first day of the next succeeding Interest Period.



“Applicable Percentage,” on any date of determination, means the percentage determined (as such percentage may be adjusted pursuant to Section 5.11 of this Series 2001 Ordinance) based on the lower of the prevailing credit ratings on the ARCs in effect at the close of business on the Auction Business Day immediately preceding such date, as set forth below:

<u>Credit Ratings</u>		<u>Applicable Percentage</u>
<u>Moody’s</u>	<u>Standard & Poor’s</u>	
“Aaa”	“AAA”	175%
“Aa3” to “Aa1”	“AA-” to “AA+”	175
“A3” to “A1”	“A-” to “A+”	175
“Baa3” to “Baa1”	“BBB-” to “BBB+”	200
Below “Baa3”	Below “BBB-”	265

provided, that, in the event that the ARCs are not rated by any nationally recognized rating agency, the Applicable Percentage shall be 265%, and, provided further, that if a Payment Default shall have occurred and be continuing, the Applicable Percentage shall be 265%. For purposes of this definition, Standard & Poor’s rating categories of “AAA,” “AA,” “A,” and “BBB,” and Moody’s rating categories of “Aaa,” “Aa,” “A,” and “Baa,” refer to and include the respective rating categories correlative thereto if either or both of such rating agencies have changed or modified their generic rating categories or if Moody’s or Standard & Poor’s no longer rates the ARCs and have been replaced.

“ARCs” means the Modal Bonds outstanding as Auction Rate Bonds under this Series 2001 Ordinance (including Modal Bonds converted to ARCs pursuant to this Series 2001 Ordinance).

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

“Auction Agency Agreement” means the Auction Agency Agreement relating to the ARCs between the Bond Registrar and the Auction Agent and any similar agreement with a successor Auction Agent or successor Bond Registrar, in each case as from time to time amended or supplemented.

“Auction Agent” means any Person appointed as such pursuant to Section 5.13 of this Series 2001 Ordinance.

“Auction Agent Fee” means the fee to be paid to the Auction Agent for the services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreement.

“Auction Business Day” means, for purposes of any Auction, any day other than (i) April 14, April 15, December 30, December 31, and such other dates as may be agreed to in writing by the Market Agent, the Auction Agent, the Broker-Dealer, the Auction Credit Issuer, and the City, or (ii) a Saturday, Sunday, holiday, or day on which banks located in the city of New York, New York, or the New York Stock Exchange, the Bond Registrar, or the Auction Agent, are authorized or permitted by law or executive order to close.



“Auction Credit Issuer” means any Credit Issuer of a Credit Facility then in effect for any Auction Rate Bonds.

“Auction Date” means, for each Tranche of ARCs, the Initial Auction Date and thereafter, in each instance, the Auction Business Day immediately preceding the first day of each Interest Period, other than:

- (i) each Interest Period commencing after the ownership of the ARCs is no longer maintained in book-entry form by DTC;
- (ii) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or
- (iii) any Interest Period commencing less than the Applicable Number of Auction Business Days after the cure or waiver of a Payment Default.

Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed pursuant to Section 5.15 of this Series 2001 Ordinance.

“Auction Period” means, for each Tranche of ARCs, each Initial Auction Period and thereafter the Interest Period applicable thereto as the same may be changed pursuant to Section 5.15 of this Series 2001 Ordinance.

“Auction Procedures” means the procedures set forth in Section 5.5 of this Series 2001 Ordinance.

“Auction Rate” means the rate of interest per annum on any Auction Date that results from the implementation of the Auction Procedures, and determined as described in Section 5.5(c)(ii) of this Series 2001 Ordinance.

“Auction Rate Bond” means a Modal Bond in the Auction Rate Mode.

“Auction Rate Mode” means the method by which interest is determined pursuant to Article V of this Series 2001 Ordinance.

“Authorized Denominations” means:

- (i) for Variable Rate Bonds, \$100,000 and any integral multiple of \$5,000 in excess thereof,
- (ii) for Modal Fixed Rate Bonds, \$5,000 and any integral multiple thereof, and
- (iii) for Auction Rate Bonds, \$25,000 and any integral multiple thereof.

“Available ARCs” shall have the meaning set forth in Section 5.5(c)(i)(A) of this Series 2001 Ordinance.

“Beneficial Owner,” with respect to the Series 2001 Bonds, shall have the meaning specified in Section 2.8.



“**Bid**” shall have the meaning set forth in Section 5.5(a)(i) of this Series 2001 Ordinance.

“**Bidder**” shall have the meaning set forth in Section 5.5(a)(i) of this Series 2001 Ordinance.

“**BMA Municipal Swap Index**” means the index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by Municipal Market Data, Boston, Massachusetts, a Thomson Financial Services Company (or its successor), which meet specific criteria established by The Bond Market Association.

“**Bond Registrar**” means the Tender Agent in the case of Variable Rate Bonds.

“**Broker-Dealer**” means UBS PaineWebber Inc. or any other broker or dealer (each as defined in the Securities Exchange Act), commercial bank, or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that (i) is a Participant (or an affiliate of a Participant), (ii) has a capital surplus of at least \$50,000,000, (iii) has been selected by the City with the approval of the Market Agent and the Auction Credit Issuer (which approvals shall not be unreasonably withheld), and (iv) has entered into a Broker-Dealer Agreement that remains effective.

“**Broker-Dealer Agreement**” means the Broker-Dealer Agreement relating to the ARCs between the Auction Agent and the Broker-Dealer and each other agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

“**Broker-Dealer Fee**” means the fee to be paid to the Broker-Dealers for the services rendered by them under the Broker-Dealer Agreement.

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

“**Closing**” means, with respect to a Series of Modal Bonds, the delivery of such Series of Modal Bonds to, and payment for such Series of Modal Bonds by, the Underwriter, and the other actions in connection therewith.

“**Closing Date**” means the date on which the Closing occurs.

“**Commercial Paper Dealers**” means UBS PaineWebber Inc. or its successor or any other commercial paper dealer appointed by the City.

“**Confirmation #3**” means the Confirmation of Swap Transaction, to be dated the date of its execution and delivery, between the City and the Swap Provider.



“Confirmation #4” means the Confirmation of Swap Transaction, to be dated the date of its execution and delivery, between the City and the Swap Provider.

“Confirmation #5” means the Confirmation of Swap Transaction, to be dated the date of its execution and delivery, between the City and the Swap Provider.

“Conforming Credit Facility” means a Credit Facility conforming to the requirements of Section 11.3 of this Series 2001 Ordinance.

“Daily Mode” means the Mode that has all of the attributes provided by this Series 2001 Ordinance for Variable Rate Bonds bearing interest at a Daily Rate.

“Daily Rate” when used as a noun means a rate of interest determined as provided herein for the Daily Mode.

“Daily Rate Bond” means any Variable Rate Bond in the Daily Mode.

“Day Count Convention” means:

(i) for any Short-Term Bond, the actual number of days elapsed in the then current calendar year; and

(ii) for any Long-Term Bond, 30-day months in a 360-day year.

“Default Rate,” on any date of determination, means the interest rate per annum equal to the lesser of (i) the Applicable Percentage of the Kenny Index and (ii) the Maximum ARC Rate.

“drawn” means the making of funds available to the Tender Agent under a Credit Facility, whether as a purchase of Modal Bonds under a standby bond purchase agreement, a drawing under a letter of credit, or otherwise. Correlatives of drawn have correlative meanings.

“Electronic Means” means (i) any means of electronically communicating by written word, such as, without limitation, telecopier or other facsimile transmission and e-mail transmission, and (ii) any means of electronically communicating by spoken word, such as, without limitation, telephone, so long as the mode of the Electronic Means is acceptable to the recipient and the communication by Electronic Means is promptly confirmed by a manually signed writing or otherwise authenticated to the satisfaction of the recipient.

“Excluded Bond” means a Modal Bond that is both an Excluded Credit Support Bond and an Excluded Liquidity Support Bond.

“Excluded Credit Support Bond” means any Modal Bond for which a Credit Facility providing credit support was terminated pursuant to Section 11.5 of this Series 2001 Ordinance.

“Excluded Liquidity Support Bond” means any Variable Rate Bond for which a Credit Facility providing liquidity support was terminated pursuant to Section 11.5 of this Series 2001 Ordinance.



“Existing Holder” means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Holder registry at the close of business on the Auction Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a Person who is a beneficial owner of ARCs.

“Expiry Date” means the date on which a Credit Facility expires by its terms and not by reason of any Termination Event.

“Favorable Bond Counsel’s Opinion” means, with respect to any action the occurrence of which requires such an opinion of Bond Counsel, an opinion of Bond Counsel to the effect that (i) such action is authorized or permitted by the Bond Ordinance, and (ii) such action will not adversely affect the validity of any Modal Bonds or the exclusion of interest on any of the Modal Bonds from gross income for federal income tax purposes.

“Finance Officer” means the individual presently holding the office of Chief Financial Officer of the City and any successor who might hereafter hold such office, and any individual, body, or authority to whom or which may hereafter be delegated by law the duties, powers, authority, obligations, or liabilities of such office.

“Flexible Rate” means a rate of interest determined as provided herein for the Flexible Rate Mode.

“Flexible Rate Bond” means any Variable Rate Bond in the Flexible Rate Mode.

“Flexible Rate Mode” means the Mode that has all of the attributes provided by this Series 2001 Ordinance for Variable Rate Bonds bearing interest at a Flexible Rate.

“Holder,” as used with respect to ARCs, means the beneficial owner of any ARCs.

“Hold Order” shall have the meaning set forth in Section 5.5(a)(i) of this Series 2001 Ordinance.

“Immediate Termination Event” means a Termination Event occurring under a Credit Facility that does not provide for a period after such occurrence during which the affected Modal Bonds may be called for tender.

“Initial Auction Date” means (i) the date(s) specified by the Finance Officer in the Schedule of Terms for Modal Bonds for any Tranche of Modal Bonds with an Initial Mode as the Auction Rate Mode and (ii) the date specified by the Finance Officer in the applicable Mode Change Notice for any future Tranche of Modal Bonds converted to the Auction Rate Mode.

“Initial Auction Period” means (i) the period(s) specified by the Finance Officer in the Schedule of Terms for Modal Bonds for any Tranche of Modal Bonds with an Initial Mode as the Auction Rate Mode and (ii) the period specified by the Finance Officer in the applicable Mode Change Notice for any future Tranche of Modal Bonds converted to the Auction Rate Mode.



“Initial Interest Payment Date” means (i) the date(s) specified by the Finance Officer in the Schedule of Terms for Modal Bonds for any Tranche of Modal Bonds with an Initial Mode as the Auction Rate Mode and (ii) the date specified by the Finance Officer in the applicable Mode Change Notice for any future Tranche of Modal Bonds converted to the Auction Rate Mode.

“Initial Interest Period” means (i) the period commencing on the date of delivery of the Modal Bonds and ending on (and including) the date(s) specified by the Finance Officer in the Schedule of Terms for Modal Bonds for any Tranche of Modal Bonds with an Initial Mode as the Auction Rate Mode and (ii) the period specified by the Finance Officer in the applicable Mode Change Notice for any future Tranche of Modal Bonds converted to the Auction Rate Mode.

“Initial Mode” means the Mode identified in the Schedule of Terms for Modal Bonds as the Mode in which Modal Bonds will be initially issued. It is not required that the Initial Mode be the same for all Modal Bonds.

“Interest Account” means the account by that name established in the Credit Facility Fund.

“Interest Adjustment Date” means, for any date after the Closing Date:

- (i) for a Daily Rate Bond, each Rate Determination Date for such Daily Rate Bond;
- (ii) for a Weekly Rate Bond, the Mode Change Date for such Weekly Rate Bond and thereafter each Thursday;
- (iii) for a Term Rate Bond, the Mode Change Date for such Term Rate Bond and thereafter the first day of each Term Rate Period;
- (iv) for a Flexible Rate Bond, each Rate Determination Date for such Flexible Rate Bond; and
- (v) for a Modal Fixed Rate Bond, the Mode Change Date for such Modal Fixed Rate Bond.

“Interest Amount” means the amount of interest distributable in respect of each \$25,000 in principal amount (taken, without rounding, to .0001 of one cent) of ARCs for any Interest Period or part thereof, as calculated in accordance with Section 5.9 of this Series 2001 Ordinance.

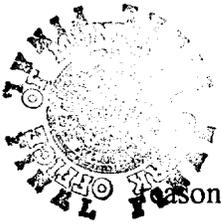


“Interest Payment Date” means each date on which interest is to be paid and is:

- (i) for a Daily Rate Bond, the first Modal Business Day of each calendar month;
- (ii) for a Weekly Rate Bond, the first Modal Business Day of each calendar month;
- (iii) for a Flexible Rate Bond, the last day of the Flexible Rate Period for the particular Flexible Rate Bond;
- (iv) for a Term Rate Bond, each Stated Interest Payment Date occurring after the Mode Change Date for such Term Rate Bond;
- (v) for a Modal Fixed Rate Bond, each Stated Interest Payment Date occurring after the Mode Change Date for such Modal Fixed Rate Bond;
- (vi) for an Auction Rate Bond, the Initial Interest Payment Date and thereafter each November 1 and May 1 during (and the November 1 or May 1, as applicable, immediately following) an Initial Interest Period, and thereafter the Auction Business Day following the last day of each Auction Period, except as changed as described in Section 5.15(a) of this Series 2001 Ordinance, and in all cases on the maturity of the Auction Rate Bond, whether at stated maturity, a Redemption Date, or otherwise; and
- (vii) for a Pledged Series 2001 Bond, each date set forth as an interest payment date in the Credit Facility providing liquidity support.

“Interest Period” means with respect to each Tranche of ARCs, unless otherwise changed as described in Section 5.15(a) of this Series 2001 Ordinance, the Initial Interest Period for such Tranche and each successive period of generally 35 days thereafter, respectively, commencing on a Thursday (or the Auction Business Day following the last day of the prior Interest Period, if the prior Interest Period does not end on a Wednesday) and ending on (and including) a Wednesday (unless such Wednesday is not followed by an Auction Business Day, in which case such Interest Period will end on the next succeeding day after such Wednesday that is followed by an Auction Business Day).

“Kenny Index” means the index most recently made available by Kenny S&P Evaluation Services (**“Kenny”**) or any successor thereto (the **“Indexing Agent”**) based upon 30-day yield evaluations at par of securities, the interest on which is excluded from gross income for federal income tax purposes under the Code, of not less than five “Intermediate Grade” component issuers selected by the Indexing Agent, which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by the Indexing Agent in its discretion. The securities on which the Kenny Index is based shall not include any securities the interest on which is subject to a “minimum tax” or similar tax under the Code, unless all such securities are subject to such tax. In the event that Kenny no longer publishes an index satisfying the above definition of the Kenny Index or the Market Agent reasonably concludes that the Kenny Index will not be announced in a timely manner, then the Market Agent shall announce a rate based upon the same criteria used by Kenny to determine the Kenny Index and the rate announced by the Market Agent for each Auction Date thereafter shall be used in lieu of the Kenny Index for each Auction Date.



“Last Put Termination Date” means the date on which a Credit Facility terminates by reason of a Last Put Termination Event.

“Last Put Termination Event” means a Termination Event occurring under a Credit Facility that provides for a period after such occurrence during which the affected Modal Bonds may be called for tender.

“Last Put Termination Notice” means a notice from a Credit Issuer stating that it is terminating its Credit Facility by reason of a Last Put Termination Event.

“Legal Maximum Rate” means the maximum interest rate per annum permitted by law.

“Long-Term Bond” means a Modal Bond in a Long-Term Mode.

“Long-Term Mode” means a Term Rate Mode and a Modal Fixed Rate Mode.

“Market Agent” means the market agent or market agents appointed pursuant to Section 5.12 of this Series 2001 Ordinance, and its or their successors or assigns.

“Market Agent Agreement” means the Market Agent Agreement relating to the ARCs, between the Bond Registrar and the Market Agent, and any similar agreement with a successor Market Agent, in each case as from time to time amended or supplemented.

“Master Ordinance” means the Master Bond Ordinance duly and validly adopted by the City on March 31, 1999, authorizing the issuance and delivery of the Series 1999 Bonds.

“Maximum ARC Rate,” on any date of determination, means the interest rate per annum equal to the lesser of:

- (i) the Applicable Percentage of the higher of (a) the After-Tax Equivalent Rate on such date and (b) the Kenny Index on such date; and
- (ii) the Modal Maximum Rate;

rounded to the nearest one thousandth (.001) of 1%.

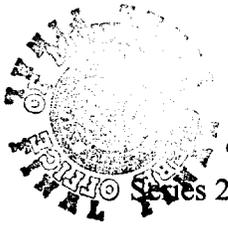
“Maximum Pledged Bond Rate” means, in the case of Modal Bonds, 25% per annum.

“Modal Bonds” means the Series 2001B Bonds and the Series 2001C Bonds.

“Modal Business Day” means a day on which the Paying Agent, the Tender Agent, the Remarketing Agent, each Credit Issuer, and banks or trust companies in New York, New York, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

“Modal Fixed Rate” means a rate of interest determined as provided herein for the Modal Fixed Rate Mode.

“Modal Fixed Rate Bond” means any Variable Rate Bond in the Modal Fixed Rate Mode.



“Modal Fixed Rate Mode” means the Mode that has all of the attributes provided by this Series 2001 Ordinance for Variable Rate Bonds bearing interest at a Modal Fixed Rate.

“Modal Holder” and **“Modal Bondholder”** means the registered owner of a Modal Bond.

“Modal Maximum Rate” means, as to any Modal Bond, the lesser of the Stated Maximum Rate and the Legal Maximum Rate. The Modal Maximum Rate is not applicable to any Pledged Bond.

“Mode” means any of the methods of determining an interest rate for the Modal Bonds permitted by this Series 2001 Ordinance.

“Mode Change Date” means the date on which a Mode change becomes or is intended to become effective.

“Mode Change Notice” means the notice from the Finance Officer to the other Notice Parties of the Finance Officer’s intention to change a Mode.

“Notice Address” means the address that a Person specifies to the Notice Parties (other than itself if a Notice Party) as the address to which notices hereunder shall be addressed.

“Notice Parties” means the City, the Tender Agent, the Remarketing Agent, and any Credit Issuer for Modal Bonds.

“Order” shall have the meaning set forth in Section 5.5(a) of this Series 2001 Ordinance.

“Outstanding,” as used in the Bond Ordinance, whether or not capitalized, excludes Variable Rate Bonds that have been duly called for mandatory tender or as to which the Modal Holder thereof gave notice of optional tender and, in either case, for the purchase of which the Purchase Price is held by the Tender Agent for the payment thereof.

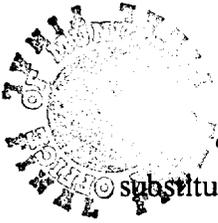
“Participant” means a member of, or participant in, DTC.

“Payment Default” means failure of both the City and the Auction Credit Issuer to make payment of interest on, premium, if any, and principal of the ARCs when due.

“Period” means a period of time determined in accordance with this Series 2001 Ordinance during which the Mode is not permitted to be changed for Variable Rate Bonds in that Mode.

“Pledged Series 2001 Bonds” means any Series 2001B Bonds or Series 2001C Bonds that become Pledged Bonds.

“Potential Holder” means any Person (including an Existing Holder that is (i) a Broker-Dealer when dealing with the Auction Agent and (ii) a potential beneficial owner when dealing with a Broker-Dealer) who may be interested in acquiring ARCs (or, in the case of an Existing Holder thereof, an additional principal amount of ARCs).



“Predecessor Credit Facility” means the Credit Facility for which another Credit Facility is substituted or is to be substituted.

“Principal Account” means the account by that name established in the Credit Facility Fund.

“Prior Bonds” means the Series 1999A Bonds.

“Prior Ordinance” means the Master Ordinance, as supplemented and amended by the First Supplemental Ordinance.

“Purchase Date” means the date on which Tender Bonds or Pledged Series 2001 Bonds are to be purchased pursuant to, respectively, the terms hereof or the terms of a Credit Facility Agreement for a Credit Facility providing liquidity support.

“Purchase Price” means an amount equal to the principal amount of the Tender Bonds to be purchased on a Purchase Date plus interest accrued to such Purchase Date.

“Rate Determination Date” means:

- (i) for a Daily Rate Bond, each Modal Business Day;
- (ii) for a Weekly Rate Bond,
 - (A) for the first Rate Determination Date,
 - (I) after the Closing, January 9, 2002; otherwise
 - (II) the Modal Business Day before the Mode change to a Weekly Mode;
 - (B) thereafter, each Wednesday but if such Wednesday is not a Modal Business Day then the Thursday immediately following such Wednesday;
- (iii) for a Flexible Rate Bond, the first day of each Flexible Rate Period for such Flexible Rate Bond;
- (iv) for a Term Rate Bond, a Modal Business Day selected by the Finance Officer no sooner than 30 days before and no later than the Modal Business Day immediately before the Mode Change Date; thereafter, the Modal Business Day immediately before the last day of each Term Rate Period for such Term Rate Bond;
- (v) for a Modal Fixed Rate Bond, a Modal Business Day selected by the Finance Officer no sooner than 30 days before and no later than the Modal Business Day immediately before the Mode Change Date; and
- (vi) for a Pledged Series 2001 Bond, each date set forth as such in the Credit Facility providing liquidity support.



“Rating Confirmation” means a writing from each Rating Agency stating that the rating on the Modal Bonds will not be reduced or withdrawn (other than a withdrawal of a short-term rating upon a change to a Long-Term Mode or the Auction Rate Mode) as a result of the action proposed to be taken.

“Record Date” means, (i) in the case of a Short-Term Bond, the day (whether or not a Modal Business Day) immediately before each Interest Payment Date for such Bond, and (ii) in the case of an Auction Rate Bond, during the Initial Interest Period for each Tranche of ARCs, each October 15 and April 15 and thereafter, so long as Interest Payment Dates are specified to occur at the end of each Auction Period as provided in this Series 2001 Ordinance, the Applicable Number of Auction Business Days immediately preceding each Interest Payment Date.

“Redemption Date,” when used with respect to any ARCs to be redeemed, means the date fixed for such redemption.

“Refunded Bonds” means the Series 1999A Bonds maturing on the dates (consisting of no more than the following maturities: November 1, 2023 to 2038) and in the principal amounts to be selected by the Finance Officer in the Schedule of Terms for Modal Bonds.

“Remarketing Agent” means UBS PaineWebber Inc. until a successor Remarketing Agent becomes such and thereafter such successor Remarketing Agent.

“Remarketing Agreement” means, as of any date, an agreement then in effect between the City and the Remarketing Agent providing for the remarketing of Modal Bonds.

“Remarketing Fund” means the fund by that name created in Section 10.1 of this Series 2001 Ordinance.

“Schedule of Terms for Modal Bonds” means the Schedule of Terms for Modal Bonds certified by the Finance Officer and delivered to the Tender Agent and the Paying Agent on or before the Closing for the Modal Bonds.

“SEC” means the Securities and Exchange Commission.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Sell Order” shall have the meaning set forth in Section 5.5(a) of this Series 2001 Ordinance.

“Series” means the Modal Bonds bearing the same series designation. When used as an adjective, the term is limited to Modal Bonds of the Type that the term modifies.

“Series 2001 Bonds” means, collectively, the Series 2001A Bonds, the Series 2001B Bonds, and the Series 2001C Bonds.

“Series 2001 Escrow Agent” means the Person so designated in Article XV of this Series 2001 Ordinance, including any successors thereto.



“Series 2001 Escrow Agreement” means the Escrow Deposit Agreement, to be dated as of the date of issuance and delivery of the Series 2001 Bonds, between the City and the Series 2001 Escrow Agent.

“Series 2001 Escrow Fund” means the City of Atlanta Water and Sewer Series 2001 Escrow Fund created in Article XV for the Refunded Bonds.

“Series 2001 Ordinance” means this Series 2001 Bond Ordinance.

“Series 2001 Project” means the Project as (1) generally described in the report dated December 5, 2001, prepared by the City’s consulting engineers, Black & Veatch Corporation, Alpharetta, Georgia, and (2) particularly described in plans and specifications on file from time to time with the City.

“Series 2001 Registrar and Paying Agent Agreement” means the Registrar and Paying Agent Agreement, to be dated the date of its execution and delivery, between the City and The Bank of New York, relating to the Series 2001 Bonds, as amended, modified, or replaced.

“Series 2001 Swap Agreement” is defined in the recitals of this Series 2001 Ordinance.

“Series 2001 Swap Insurance Agreement” means the Insurance and Indemnity Agreement, to be dated the date of its execution and delivery, between the City and the Series 2001B&C Credit Issuer, relating to the Series 2001 Swap Agreement, as amended or modified.

“Series 2001A Bonds” means the City’s Water and Wastewater Revenue Bonds, Series 2001A, in the original aggregate principal amount of \$415,310,000, authorized under Section 2.1.

“Series 2001A Credit Facility” means the financial guaranty insurance policy issued by the Series 2001A Credit Issuer that guarantees payment of principal of and interest on the Series 2001A Bonds.

“Series 2001A Credit Issuer” means MBIA Insurance Corporation, a New York stock insurance company, or any successor thereto.

“Series 2001A&B Project Account” means the City of Atlanta Water and Sewer Project Fund - Series 2001A&B Project Account within the Project Fund established in Article XVI.

“Series 2001B Bonds” means the City’s Water and Wastewater Revenue Bonds, Series 2001B, in the original aggregate principal amount of \$335,640,000, authorized under Section 2.1.

“Series 2001B&C Credit Facility” means the municipal bond insurance policy issued by the Series 2001B&C Credit Issuer that guarantees payment of principal of and interest on the portions of the Series 2001B Bonds and Series 2001C Bonds operating in any Mode other than the Auction Rate Mode as their Initial Modes.

“Series 2001B&C Credit Issuer” means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof.



“Series 2001B&C Liquidity Facility” means the Standby Bond Purchase Agreement, to be dated as of the date of issuance and delivery of the Series 2001 Bonds, among the City, the Series 2001B&C Liquidity Issuer, and the Tender Agent.

“Series 2001B&C Liquidity Issuer” means Dexia Credit Local, acting through its New York Agency, or any successor thereto.

“Series 2001B-1 Hedged Bonds” means Series 2001B Bonds maturing on November 1, 2038, and in the principal amount to be selected by the Finance Officer in the Schedule of Terms for Modal Bonds.

“Series 2001B-2 Hedged Bonds” means Series 2001B Bonds maturing on November 1, 2038, and in the principal amount to be selected by the Finance Officer in the Schedule of Terms for Modal Bonds.

“Series 2001C Bonds” means the City’s Water and Wastewater Revenue Bonds, Series 2001C, in the original aggregate principal amount of \$211,305,000, authorized under Section 2.1.

“Series 2001C Credit Facility” means the municipal bond new issue insurance policy issued by the Series 2001C Credit Issuer that guarantees payment of principal of and interest on the portion of the Series 2001C Bonds operating in the Auction Rate Mode as its Initial Mode.

“Series 2001C Credit Issuer” means Financial Guaranty Insurance Company, a New York stock insurance company or any successor thereto.

“Series 2001C Hedged Bonds” means Series 2001C Bonds maturing on November 1, 2041, and in the principal amount to be selected by the Finance Officer in the Schedule of Terms for Modal Bonds.

“Series 2001C Project Account” means the City of Atlanta Water and Sewer Project Fund - Series 2001C Project Account within the Project Fund established in Article XVI.

“Short-Term Bond” means a Variable Rate Bond in a Short-Term Mode.

“Short-Term Mode” means the Daily Mode, Weekly Mode, and Flexible Rate Mode.

“Stated Interest Payment Date” means each November 1 and May 1.

“Stated Maximum Rate” means 12 percent per annum, subject to change as provided in Section 3.2 of this Series 2001 Ordinance.

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



“Submission Deadline” means 1:00 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

“Submitted Bid” shall have the meaning set forth in Section 5.5(c)(i) of this Series 2001 Ordinance.

“Submitted Hold Order” shall have the meaning set forth in Section 5.5(c)(i) of this Series 2001 Ordinance.

“Submitted Order” shall have the meaning set forth in Section 5.5(c)(i) of this Series 2001 Ordinance.

“Submitted Sell Order” shall have the meaning set forth in Section 5.5(c)(i) of this Series 2001 Ordinance.

“Sufficient Clearing Bids” shall have the meaning set forth in Section 5.5(c)(i)(B) of this Series 2001 Ordinance.

“Suspension Period” has the meaning given that term in Section 8.4 of this Series 2001 Ordinance.

“Tender Agent” means The Bank of New York until a successor Tender Agent becomes such and thereafter such successor Tender Agent.

“Tender Agreement” means, as of any date, the Tender Agent Agreement then in effect between the City and the Tender Agent.

“Tender Bonds” means, as of any Purchase Date, all Modal Bonds:

(i) subject to tender on such Purchase Date by reason of the Modal Holders thereof having given notice as provided in Section 8.1 of this Series 2001 Ordinance, and

(ii) subject to mandatory tender on such Purchase Date pursuant to Section 8.2 of this Series 2001 Ordinance.

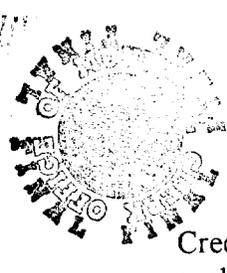
“Term Rate” means a rate of interest determined as provided herein for the Term Rate Mode.

“Term Rate Bond” means any Variable Rate Bond in the Term Rate Mode.

“Term Rate Mode” means the Mode that has all of the attributes provided by this Series 2001 Ordinance for Variable Rate Bonds bearing interest at a Term Rate.

“Termination Date” means the date on which a Credit Facility terminates by reason of a Termination Event.

“Termination Event” means any event that permits a Credit Issuer to terminate its Credit Facility and includes any non-reinstatement of interest drawn under such Credit Facility.



“Termination Notice” means a notice from a Credit Issuer stating that it is terminating its Credit Facility by reason of a Termination Event or that it is not reinstating interest drawn under such Credit Facility.

“Tranche” means all Modal Bonds in a particular Mode that have the same Rate Determination Date and all Auction Rate Bonds that have the same Auction Period.

“Type” or **“type”** of any Bond means all other Bonds that pay interest in the same manner (*e.g.*, at fixed or variable rates or only at maturity).

“Underwriter” means, for purposes of the Series 2001 Bonds, UBS PaineWebber Inc., as representative.

“Variable Rate Bond” means a Modal Bond in a Variable Rate Mode.

“Variable Rate Mode” means any Short-Term Mode or Term Rate Mode.

“Weekly Mode” means the Mode that has all of the attributes provided by this Series 2001 Ordinance for Variable Rate Bonds bearing interest at a Weekly Rate.

“Weekly Rate” means a rate of interest determined as provided herein for the Weekly Mode.

“Weekly Rate Bond” means any Variable Rate Bond in the Weekly Mode.

“Winning Bid Rate” shall have the meaning set forth in Section 5.5(c)(i)(C) of this Series 2001 Ordinance.

Section 1.2. Interpretation. (a) The word *a* does not necessarily mean “only one” of the noun modified by *a* and, depending on the context, can mean “any particular one, without distinction, of two or more” of the noun modified by *a*.

(b) The word *and*, primarily when used in definitions, does not necessarily mean that all of the conjoined words must exist either independently or in conjunction with each other. Depending on the context, *and* can mean “as well as.”

(c) The period before a specific date excludes the specific date (*i.e.*, “five Modal Business Days before the last day of the current Term Rate Period” excludes the “last day”).

Section 1.3. Time. All time expressed in this Series 2001 Ordinance is the time in New York City on the date the particular action is to be taken unless otherwise provided.

[End of Article I]



CORRECTED COPY

ARTICLE II

THE SERIES 2001 BONDS

Section 2.1. Authorization; Designation of Series 2001 Bonds. The City hereby authorizes the execution, issuance, and delivery of three separate series of Bonds, the first series in the aggregate principal amount of \$415,310,000, to be designated "City of Atlanta Water and Wastewater Revenue Bonds, Series 2001A," the second series in the aggregate principal amount of \$335,640,000, to be designated "City of Atlanta Water and Wastewater Revenue Bonds, Series 2001B," and the third series in the aggregate principal amount of \$211,305,000, to be designated "City of Atlanta Water and Wastewater Revenue Bonds, Series 2001C," each of which series shall be executed, issued, and delivered under, and secured by, the Prior Ordinance, as supplemented and amended by this Series 2001 Ordinance.

Section 2.2. Parity Certification. The Series 2001 Bonds shall be Parity Bonds payable from and secured by Pledged Revenues and shall rank on a parity as to the pledge of and lien on the Pledged Revenues with the Prior Bonds, pursuant to authorization granted by Article V of the Master Ordinance. The City hereby finds, determines, declares, and certifies that it has fulfilled all of the applicable requirements of Article V of the Master Ordinance that are conditions precedent to the issuance of the Series 2001 Bonds as Parity Bonds, namely:

(a) There has been procured and filed with the City a report by a Consultant, which is attached to this Series 2001 Ordinance as part of Exhibit A, to the effect that (1) the forecasted Net Operating Revenues and Investment Earnings for the period beginning on the expected date of issuance of the Series 2001 Bonds and ending on the date of commencement of the Forecast Period are expected to equal at least 100% of the Debt Service Requirement during such period on all Senior Bonds which will be Outstanding immediately after the issuance of the Series 2001 Bonds, and (2) the forecasted Net Operating Revenues and Investment Earnings for each Fiscal Year in the Forecast Period are expected to equal at least 110% of the average annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the Series 2001 Bonds, in the then current or any succeeding Fiscal Year.

(b) The City has received a report from an Independent Certified Public Accountant, which is attached to this Series 2001 Ordinance as part of Exhibit A, to the effect that the payments required to be made into each account of the Sinking Fund have been made and the balance in each account of the Sinking Fund is not less than the balance required by the Bond Ordinance as of the date of issuance of the Series 2001 Bonds.

(c) This Series 2001 Ordinance requires (1) that the amount to be accumulated and maintained in the Debt Service Reserve Account be increased to not less than 100% of the Debt Service Reserve Requirement computed on a basis which includes all Senior Bonds which will be Outstanding immediately after the issuance of the Series 2001 Bonds and (2) that the amount of such increase be deposited in such account on or before the date and at least as fast as specified in Section 4.4(f) of the Master Ordinance.



(d) This Series 2001 Ordinance requires the proceeds of the Series 2001 Bonds to be used solely to make capital improvements to the System, to fund interest on the Series 2001 Bonds, to acquire existing or proposed water or sewer utilities, to refund other obligations issued for such purposes (whether or not such refunding Bonds satisfy the requirements of Section 5.2 of the Master Ordinance), and to pay expenses incidental thereto and to the issuance of the Series 2001 Bonds.

(e) With respect to Series 2001 Bonds that bear interest at a Variable Rate, this Series 2001 Ordinance provides a maximum rate of interest per annum that such Series 2001 Bonds may bear.

(f) The Chief Officer will certify, by written certificate dated as of the date of issuance of the Series 2001 Bonds, that the City is in compliance with all requirements of the Bond Ordinance.

(g) The City will receive an opinion of Bond Counsel, dated as of the date of issuance of the Series 2001 Bonds, to the effect that this Series 2001 Ordinance and any related Supplemental Ordinance have been duly adopted by the City.

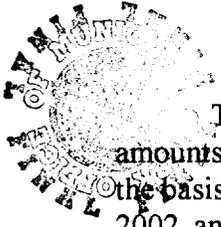
The City hereby certifies and recites that the requirements of Article V of the Master Ordinance for the issuance of the Series 2001 Bonds as Parity Bonds have been satisfied, and the Series 2001 Bonds shall be treated as Parity Bonds secured under and pursuant to the Bond Ordinance equally and ratably with the Prior Bonds.

Section 2.3. Series 2001A Bond Details. \$415,310,000 in original aggregate principal amount of the Series 2001A Bonds shall be issued as Current Interest Bonds, and \$-0- in original aggregate principal amount of the Series 2001A Bonds shall be issued as Compound Interest Bonds. The Series 2001A Bonds that are Current Interest Bonds shall be dated as of December 1, 2001, and the Series 2001A Bonds that are Compound Interest Bonds shall be dated the date of issuance. The Series 2001A Bonds shall be numbered in a convenient manner, established by the Bond Registrar and shown by the Bond Register.

The Series 2001A Bonds that are Current Interest Bonds shall bear interest at the rates per annum set forth below, computed on the basis of a 360-day year consisting of twelve 30-day months, payable on May 1, 2002, and semiannually thereafter on each November 1 and May 1 of each year, and shall mature on November 1, in the years and in the principal amounts as follows, unless earlier called for redemption:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2009	\$210,000	4.00%	2019	\$ 220,000	5.00%
2011	300,000	4.25	2020	565,000	5.00
2013	310,000	4.50	2021	610,000	5.00
2014	350,000	4.60	2022	360,000	5.00
2015	80,000	4.70	2027	85,055,000	5.50
2016	395,000	4.80	2033	129,850,000	5.00
2017	125,000	4.80	2039	196,420,000	5.00
2018	460,000	4.90			

The Series 2001A Bonds that mature on November 1, 2027, November 1, 2033, and November 1, 2039, are Term Bonds.

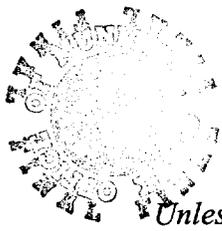


The Series 2001A Bonds that are Compound Interest Bonds shall be issued in the principal amounts set forth below, shall accrue interest at the rates per annum set forth below, computed on the basis of a 360-day year consisting of twelve 30-day months, which shall compound on May 1, 2002, and semiannually thereafter on each November 1 and May 1 of each year, and shall mature on November 1, in the years and in the maturity amounts as follows, unless earlier called for redemption:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Amount</u>
None	None	None	None

The Accreted Values for the Series 2001A Bonds that are Compound Interest Bonds as of each compounding date are set forth in Exhibit E to this Series 2001 Ordinance.

Section 2.4. Form of Series 2001A Bonds. The Series 2001A Bonds, the Validation Certificate, and the Bond Registrar's Certificate of Authentication shall be in substantially the form set out below, provided that some of the text of each such Series 2001A Bond may appear on the reverse side of the Series 2001A Bond, with such variations, omissions, substitutions, and insertions as are required or permitted by the Bond Ordinance.



[FORM OF SERIES 2001A BOND]

Unless this Bond is presented by an authorized representative of The Depository Trust Company ("DTC"), a New York corporation, to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF GEORGIA
CITY OF ATLANTA
WATER AND WASTEWATER REVENUE BOND,
SERIES 2001A

Number RA - _____ \$ _____

[FOR CURRENT INTEREST BONDS:

<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Dated</u>	<u>CUSIP</u>
November 1, _____		December 1, 2001	

Registered Owner: Cede & Co.

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS that the **CITY OF ATLANTA** (the "City"), a municipal corporation duly created and existing under the laws of the State of Georgia, for value received, hereby promises to pay (but only out of the sources provided) to the registered owner identified above, or registered assigns, on the Maturity Date stated above, unless this Bond shall have been called for redemption prior to maturity and payment of the redemption price shall have been duly made or provided for, the principal amount identified above and to pay (but only out of the sources provided) interest on the balance of such principal sum from time to time remaining unpaid from and including the date hereof or from and including the most recent Interest Payment Date (as hereinafter defined) with respect to which interest has been paid or duly provided for, until payment



of such principal sum has been made, at the interest rate per annum shown above (computed on the basis of a 360-day year consisting of twelve 30-day months) on May 1 and November 1 of each year (each an "Interest Payment Date") commencing May 1, 2002, until the payment of the principal amount of this Bond in full, and promises to pay interest on overdue principal and, to the extent permitted by law, on overdue premium, if any, and interest, at such rate.

Principal of and redemption premium, if any, on this Bond are payable when due in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of The Bank of New York, New York, New York, as registrar and paying agent (the "Bond Registrar" or the "Paying Agent"). Payment of interest on this Bond shall be made to the registered owner and shall be paid in lawful money of the United States of America by check or draft mailed on the applicable Interest Payment Date to such registered owner as of the close of business on the 15th day of the calendar month (the "Record Date") immediately preceding such Interest Payment Date at its address as it appears on the registration books (the "Bond Register") of the City maintained by the Bond Registrar, or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

Notwithstanding the foregoing, however, interest on this Bond shall be payable to any registered owner of more than \$1,000,000 in aggregate principal amount of the Bonds of the same series as this Bond (including this Bond) by deposit of immediately available funds to the account of such registered owner maintained with the Paying Agent or transmitted by wire transfer to such registered owner at an account maintained at a commercial bank located within the United States of America, if the Paying Agent receives from such registered owner written deposit or wire transfer instructions prior to the Record Date preceding the Interest Payment Date for which the deposit or wire transfer is requested.]

[FOR COMPOUND INTEREST BONDS:

<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>Dated</u>	<u>CUSIP</u>
November 1, _____			

Registered Owner: Cede & Co.

Principal Amount:

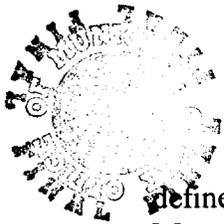


KNOW ALL MEN BY THESE PRESENTS that the **CITY OF ATLANTA** (the "City"), a municipal corporation duly created and existing under the laws of the State of Georgia, for value received, hereby promises to pay (but only out of the sources provided) to the registered owner identified above, or registered assigns, on the Maturity Date stated above, unless this Bond shall have been called for redemption prior to maturity and payment of the redemption price shall have been duly made or provided for, the Maturity Amount identified above in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of The Bank of New York, New York, New York, as registrar and paying agent (the "Bond Registrar" or the "Paying Agent").]

This Bond is one of a series of \$415,310,000 in original aggregate principal amount of revenue bonds designated "City of Atlanta Water and Wastewater Revenue Bonds, Series 2001A" (the "Series 2001A Bonds"), issued by the City pursuant to and in full compliance with the provisions of the Constitution and laws of the State of Georgia, including specifically, but without limitation, Article 3 of Chapter 82 of Title 36 of the Official Code of Georgia Annotated, known as the "Revenue Bond Law," as amended, and the Charter of the City of Atlanta, as amended. The Series 2001A Bonds, together with \$335,640,000 in original aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 2001B (the "Series 2001B Bonds") and \$211,305,000 in original aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 2001C (the "Series 2001C Bonds"), have been authorized by a Series 2001 Bond Ordinance (the "Series 2001 Ordinance") duly adopted by the City on December 5, 2001, for the purpose of (i) refunding \$ _____ in aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 1999A, maturing on November 1, ____ to ____, and (ii) financing the costs of making additions, extensions, and improvements to the City's existing water and sewer system.

The Series 2001A Bonds are issued either as Bonds as to which interest is payable semiannually ("Current Interest Bonds") or Bonds as to which no interest is payable on a current basis ("Compound Interest Bonds"). Compound Interest Bonds accrue in amounts payable only at maturity.

The Series 2001A Bonds, the Series 2001B Bonds, and the Series 2001C Bonds (collectively the "Series 2001 Bonds") are all issued under, and the Series 2001 Ordinance was adopted subject to and in conformity with, the provisions of a Master Bond Ordinance (the "Master Ordinance") duly adopted by the City on March 31, 1999, authorizing the issuance of \$1,096,140,000 in original aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 1999A (the "Series 1999A Bonds"), now outstanding in the aggregate principal amount of \$1,076,140,000, and authorizing the issuance of \$12,605,000 in original aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 1999B (the "Series 1999B Bonds"), none of which are presently outstanding. Under the terms of the Master Ordinance, the Series 1999A Bonds and the Series 1999B Bonds were payable solely from and secured by a first priority pledge of and lien on the Pledged Revenues (as defined in the Master Ordinance).



The Master Ordinance provides for the issuance under certain conditions of Parity Bonds (as defined in the Master Ordinance) payable from and secured by Pledged Revenues (as defined in the Master Ordinance) and ranking on a parity as to the pledge of and lien on the Pledged Revenues with the Series 1999A Bonds and the Series 1999B Bonds. The Series 2001 Bonds have been issued under the provisions of the Master Ordinance authorizing the issuance of Parity Bonds and, as Parity Bonds, will be payable from and secured by Pledged Revenues and will rank on a parity as to the pledge of and lien on the Pledged Revenues with the Series 1999A Bonds. The Series 2001 Bonds are all issued under and, together with the Series 1999A Bonds, are equally and ratably secured by and entitled to the benefit of the Master Ordinance, as supplemented and amended by a First Supplemental Bond Ordinance duly adopted by the City on March 5, 2001, and the Series 2001 Ordinance (collectively the "Bond Ordinance").

The Series 2001A Bonds maturing on or before November 1, 2011, and on November 1, 2027, may not be called for optional redemption prior to maturity. The Series 2001A Bonds maturing on or after November 1, 2013 (except for Series 2001A Bonds maturing on November 1, 2027), are subject to redemption prior to maturity at the option of the City on or after May 1, 2012, in whole at any time or in part on any Interest Payment Date, at the redemption price of 100% of the principal amount thereof plus accrued interest on such redemption date.

The Series 2001A Bonds maturing on November 1, 2027, November 1, 2033, and November 1, 2039, are subject to mandatory redemption prior to maturity by application of payments from the Sinking Fund, in accordance with the Bond Ordinance, at a redemption price equal to the principal amounts of the Series 2001A Bonds set forth below plus the interest due thereon on the redemption date, on the dates set forth below:

Series 2001A Bonds Maturing November 1, 2027

<u>November 1 of the Year</u>	<u>Principal Amount</u>
2023	\$15,575,000
2024	16,035,000
2025	17,105,000
2026	17,605,000
2027+	18,735,000

+ Final Maturity



Series 2001A Bonds Maturing November 1, 2033

<u>November 1 of the Year</u>	<u>Principal Amount</u>
2028	\$19,625,000
2029	20,145,000
2030	21,295,000
2031	21,890,000
2032	23,120,000
2033+	23,775,000

+ Final Maturity

Series 2001A Bonds Maturing November 1, 2039

<u>November 1 of the Year</u>	<u>Principal Amount</u>
2034	\$25,075,000
2035	25,815,000
2036	27,210,000
2037	28,340,000
2038	29,210,000
2039+	60,770,000

+ Final Maturity

Notice of redemption, unless waived, is to be given by first class mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of each Series 2001A Bond to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar. All such Series 2001A Bonds called for redemption and for the retirement of which funds are duly provided shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2001A Bonds on such date, and interest on the Series 2001A Bonds or portions of Series 2001A Bonds so called for redemption shall cease to accrue, such Series 2001A Bonds or portions of Series 2001A Bonds shall cease to be entitled to any lien, benefit, or security under the Bond Ordinance, and the owners of such Series 2001A Bonds or portions of Series 2001A Bonds shall have no rights in respect thereof except to receive payment of the redemption price. Any defect in any notice of redemption shall not affect the validity of proceedings for the redemption of any Series 2001A Bonds.

The City has established a book-entry system of registration for the Series 2001 Bonds. Except as specifically provided otherwise in the Bond Ordinance, an agent will hold this Bond on behalf of the beneficial owner hereof. By acceptance of a confirmation of purchase, delivery, or transfer, the beneficial owner of this Bond shall be deemed to have agreed to such arrangement. While the Series 2001 Bonds are in the book-entry system of registration, the Bond Ordinance provides special provisions relating to the Series 2001 Bonds that override certain other provisions of the Bond Ordinance. This Bond is transferable by the registered owner at the principal corporate



trust office of the Bond Registrar but only in the manner, subject to the limitations, and upon payment of the charges provided in the Bond Ordinance and upon surrender of this Bond. Upon such transfer, a new registered Bond or Bonds of the same series, maturity, interest rate, aggregate principal or maturity amount, and tenor, of any authorized denomination or denominations, and bearing numbers not then outstanding, will be issued to the transferee in exchange for this Bond. The Series 2001 Bonds are issuable as fully registered Bonds in the denomination of \$5,000 (principal amount, in the case of Current Interest Bonds, and maturity amount, in the case of Compound Interest Bonds) or any integral multiple thereof. The Bond Registrar is not required to transfer or exchange any Series 2001 Bond after notice calling such Series 2001 Bond for redemption has been given or during the period of 15 days (whether or not a business day for the Bond Registrar, but excluding the redemption date and including such 15th day) immediately preceding the giving of such notice of redemption.

The Series 2001 Bonds, the Series 1999A Bonds, and such revenue bonds of the City as may in the future be issued on a parity therewith, are equally and ratably secured by pledge of the "Pledged Revenues" of the water and sewer system (the "System") of the City, which are defined in the Bond Ordinance to include gross operating revenues, certain amounts payable by any provider of a Hedge Agreement (as defined in the Bond Ordinance) pursuant to such Hedge Agreement, moneys and securities from time to time on deposit in the funds and accounts established in the Bond Ordinance, and earnings on investments made with the foregoing moneys and securities, excluding any amounts required in the Bond Ordinance to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated with respect to any such rebate requirement.

THE SERIES 2001 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OF THE CITY NOR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY. THE SERIES 2001 BONDS SHALL NOT BE PAYABLE FROM OR A CHARGE UPON ANY FUNDS OTHER THAN THE REVENUES AND AMOUNTS PLEDGED TO THE PAYMENT THEREOF, NOR SHALL THE CITY BE SUBJECT TO ANY PECUNIARY LIABILITY THEREON. NO OWNER OR OWNERS OF THIS BOND SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE CITY TO PAY THIS BOND OR THE INTEREST HEREON, NOR TO ENFORCE PAYMENT OF THIS BOND AGAINST ANY PROPERTY OF THE CITY; NOR SHALL THIS BOND CONSTITUTE A CHARGE, LIEN, OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE CITY, EXCEPT FOR THE PLEDGED REVENUES AND ANY OTHER FUNDS PLEDGED TO SECURE THE SERIES 2001 BONDS.



The City has covenanted and hereby covenants and agrees at all times while any Series 2001 Bonds are outstanding and unpaid to prescribe, fix, maintain, and collect rates, fees, and other charges for the services, facilities, and commodities furnished by the System fully sufficient at all times to: (i) provide for 100% of the expenses of operation and maintenance of the System and for the accumulation in the Revenue Fund (as defined in the Bond Ordinance) of a reasonable reserve therefor, and (ii) produce net operating revenues in each Fiscal Year (as defined in the Bond Ordinance) which, together with certain investment earnings, will: (a) equal at least 110% of the debt service requirement on all Senior Bonds (as defined in the Bond Ordinance) then outstanding and 100% of the debt service requirement on all Subordinate Bonds (as defined in the Bond Ordinance) then outstanding, (b) enable the City to make all required payments into the Debt Service Reserve Account and the Rebate Fund and to any Credit Issuer, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider (as each is defined in the Bond Ordinance), (c) enable the City to accumulate an amount to be held in the Renewal and Extension Fund (as defined in the Bond Ordinance), which in the judgment of the City is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System, and (d) remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Bond Ordinance from prior Fiscal Years.

The Bond Ordinance contains a more particular statement of the covenants and provisions securing the Series 2001 Bonds, the conditions under which the owner of this Bond may enforce covenants (other than the covenant to pay principal of and interest on this Bond when due from the sources provided, the right to enforce which is unconditional), the conditions upon which additional revenue bonds may be issued on a parity or achieve parity status with this Bond under the Bond Ordinance, and the conditions upon which the Bond Ordinance may be amended with the consent of the owners of a majority in aggregate principal amount of the Bonds (as defined in the Bond Ordinance) of each class (senior and subordinate) outstanding or the issuer of any Credit Facility (as defined in the Bond Ordinance), if any, of such Bonds. Upon the occurrence of an Event of Default under the Bond Ordinance, the owner of this Bond shall be entitled to the remedies provided by the Bond Ordinance and the Revenue Bond Law.

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, happen, and be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form, and manner as required by law.

This Bond shall not be entitled to any security or benefit under the Bond Ordinance or become valid or obligatory for any purpose until the certificate of authentication hereon shall have been duly executed by the Bond Registrar.



IN WITNESS WHEREOF, the City has caused this Bond to be executed by the manual signature of its Mayor and has caused the official seal of the City to be impressed on this Bond and attested by the manual signature of its Municipal Clerk.

CITY OF ATLANTA

By: _____
Mayor

(SEAL)

Attest:

Municipal Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION]

BOND REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the bonds of the series described in the within mentioned Bond Ordinance.

THE BANK OF NEW YORK,
as Bond Registrar

By: _____
Authorized Signatory

Date of Registration
and Authentication:



[FORM OF STATEMENT OF INSURANCE]

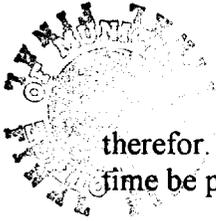
STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at the principal corporate trust office of The Bank of New York, New York, New York.

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 The Bank of New York, New York, New York, 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:

\$415,310,000
City of Atlanta (Georgia)
Water and Wastewater Revenue Bonds, Series 2001A

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.

The laws of the State of Georgia prohibit insurers from unfairly discriminating against any person based upon his or her status as a victim of family violence.

MBIA INSURANCE CORPORATION



CORRECTED COPY

The following abbreviations, when used in the inscription on this Bond or in the assignment below, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common and not as community property
- UNIF TRANS
MIN ACT - _____ Custodian _____
(Custodian) (Minor)
under Uniform Transfers to Minors Act _____
(State)

Additional abbreviations may be used although not in the above list.

[FORM OF ASSIGNMENT]

ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto _____

(Name and Address of Assignee)

(Insert Social Security or Taxpayer
Identification Number of Assignee)

the within revenue bond of the City of Atlanta and does hereby irrevocably constitute and appoint _____ attorney to transfer the Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

(Signature Guaranteed)

Notice: Signature(s) must be guaranteed by an eligible guarantor institution (such as banks, stockbrokers, savings and loan associations, and credit unions) with membership in an approved Signature Guarantee Medallion Program pursuant to S.E.C. Rule 17Ad-15.

Registered Owner

Notice: The signature(s) on this assignment must correspond with the name as it appears on the face of the within bond in every particular without alteration or enlargement or any change whatsoever.

[END OF BOND FORM]



Section 2.5. Series 2001B Bond Details. The Series 2001B Bonds shall be issued in Authorized Denominations, shall be dated the date of Closing, and shall be numbered in a convenient manner, established by the Bond Registrar and shown by the Bond Register.

The Series 2001B Bonds shall operate in the Modes specified herein, shall bear interest as provided herein, computed and payable as provided herein, and shall mature on November 1, 2038, unless earlier called for redemption.

The Finance Officer shall establish the Initial Modes for the Series 2001B Bonds on or before the date of Closing in the Schedule of Terms for Modal Bonds. If the Finance Officer determines in the Schedule for Terms for Modal Bonds that insufficient debt service savings will result from refunding any maturities of the Refunded Bonds, he may elect to not refund such maturities of the Refunded Bonds and issue less than the full authorized aggregate principal amount of the Series 2001B Bonds.

The Series 2001B Bonds are Term Bonds.

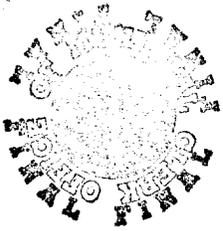
Section 2.6. Series 2001C Bond Details. The Series 2001C Bonds shall be issued in Authorized Denominations, shall be dated the date of Closing, and shall be numbered in a convenient manner, established by the Bond Registrar and shown by the Bond Register.

The Series 2001C Bonds shall operate in the Modes specified herein, shall bear interest as provided herein, computed and payable as provided herein, and shall mature on November 1, 2041, unless earlier called for redemption.

The Finance Officer shall establish the Initial Modes for the Series 2001C Bonds on or before the date of Closing in the Schedule of Terms for Modal Bonds.

The Series 2001C Bonds are Term Bonds.

Section 2.7. Form of Series 2001B Bonds and Series 2001C Bonds. The Series 2001B Bonds, the Series 2001C Bonds, the Validation Certificate, and the Bond Registrar's Certificate of Authentication shall be in substantially the form set out below, provided that some of the text of each such Bond may appear on the reverse side of such Bond, with such variations, omissions, substitutions, and insertions as are required or permitted by the Bond Ordinance.



[FORM OF SERIES 2001B BOND AND SERIES 2001C BOND]

Unless this Bond is presented by an authorized representative of The Depository Trust Company ("DTC"), a New York corporation, to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF GEORGIA
CITY OF ATLANTA
WATER AND WASTEWATER REVENUE BOND,
SERIES 2001[B or C] (MODE TITLE)

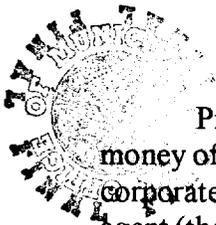
Number R[B or C] - _____ \$ _____

Maturity Date _____ Dated _____ CUSIP _____
November 1, _____

Registered Owner: Cede & Co.

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS that the CITY OF ATLANTA (the "City"), a municipal corporation duly created and existing under the laws of the State of Georgia, for value received, hereby promises to pay (but only out of the sources provided) to the registered owner identified above, or registered assigns, on the Maturity Date stated above, unless this Bond shall have been called for redemption prior to maturity and payment of the redemption price shall have been duly made or provided for, the principal amount identified above and to pay (but only out of the sources provided) interest on the balance of such principal sum from time to time remaining unpaid from and including the date hereof or from and including the most recent Interest Payment Date (as defined in the hereinafter defined Series 2001 Ordinance) with respect to which interest has been paid or duly provided for, until payment of such principal sum has been made, at the interest rate per annum determined and computed as provided in the Series 2001 Ordinance on the Interest Payment Dates specified in the Series 2001 Ordinance, until the payment of the principal amount of this Bond in full, and promises to pay interest on overdue principal and, to the extent permitted by law, on overdue premium, if any, and interest, at such rate.



Principal of and redemption premium, if any, on this Bond are payable when due in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of The Bank of New York, New York, New York, as registrar and paying agent (the "Bond Registrar" or the "Paying Agent"). Payment of interest on this Bond shall be made to the registered owner and shall be paid in lawful money of the United States of America by the method specified in the Series 2001 Ordinance.

This Bond is one of a series of \$ _____ in original aggregate principal amount of revenue bonds designated "City of Atlanta Water and Wastewater Revenue Bonds, Series 2001[B or C]" (the "Series 2001[B or C] Bonds"), issued by the City pursuant to and in full compliance with the provisions of the Constitution and laws of the State of Georgia, including specifically, but without limitation, Article 3 of Chapter 82 of Title 36 of the Official Code of Georgia Annotated, known as the "Revenue Bond Law," as amended, and the Charter of the City of Atlanta, as amended. The Series 2001[B or C] Bonds, together with \$415,310,000 in original aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 2001A (the "Series 2001A Bonds") and \$ _____ in original aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 2001[B or C] (the "Series 2001[B or C] Bonds"), have been authorized by a Series 2001 Bond Ordinance (the "Series 2001 Ordinance") duly adopted by the City on December 5, 2001, for the purpose of (i) refunding \$ _____ in aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 1999A, maturing on November 1, _____ to _____, and (ii) financing the costs of making additions, extensions, and improvements to the City's existing water and sewer system.

The Series 2001[B or C] Bonds will operate in the Modes (as defined in the Series 2001 Ordinance) specified from time to time as provided in the Series 2001 Ordinance.

The Series 2001[B or C] Bonds, the Series 2001A Bonds, and the Series 2001[B or C] Bonds (collectively the "Series 2001 Bonds") are all issued under, and the Series 2001 Ordinance was adopted subject to and in conformity with, the provisions of a Master Bond Ordinance (the "Master Ordinance") duly adopted by the City on March 31, 1999, authorizing the issuance of \$1,096,140,000 in original aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 1999A (the "Series 1999A Bonds"), now outstanding in the aggregate principal amount of \$1,076,140,000, and authorizing the issuance of \$12,605,000 in original aggregate principal amount of the City's Water and Wastewater Revenue Bonds, Series 1999B (the "Series 1999B Bonds"), none of which are presently outstanding. Under the terms of the Master Ordinance, the Series 1999A Bonds and the Series 1999B Bonds were payable solely from and secured by a first priority pledge of and lien on the Pledged Revenues (as defined in the Master Ordinance).

The Master Ordinance provides for the issuance under certain conditions of Parity Bonds (as defined in the Master Ordinance) payable from and secured by Pledged Revenues (as defined in the Master Ordinance) and ranking on a parity as to the pledge of and lien on the Pledged Revenues with the Series 1999A Bonds and the Series 1999B Bonds. The Series 2001 Bonds have been issued under the provisions of the Master Ordinance authorizing the issuance of Parity Bonds and, as Parity Bonds, will be payable from and secured by Pledged Revenues and will rank on a parity as to the pledge of and lien on the Pledged Revenues with the Series 1999A Bonds. The Series 2001 Bonds are all issued under and, together with the Series 1999A Bonds, are equally and ratably secured by and entitled to the benefit of the Master Ordinance, as supplemented and amended by a First



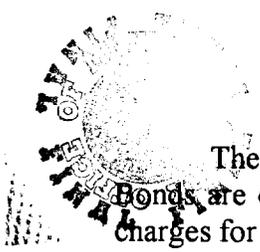
Supplemental Bond Ordinance duly adopted by the City on March 5, 2001, and the Series 2001 Ordinance (collectively the "Bond Ordinance").

The Series 2001 **[B or C]** Bonds are subject to redemption prior to maturity and tender for purchase as provided in the Series 2001 Ordinance.

The City has established a book-entry system of registration for the Series 2001 Bonds. Except as specifically provided otherwise in the Bond Ordinance, an agent will hold this Bond on behalf of the beneficial owner hereof. By acceptance of a confirmation of purchase, delivery, or transfer, the beneficial owner of this Bond shall be deemed to have agreed to such arrangement. While the Series 2001 Bonds are in the book-entry system of registration, the Bond Ordinance provides special provisions relating to the Series 2001 Bonds that override certain other provisions of the Bond Ordinance. This Bond is transferable by the registered owner at the principal corporate trust office of the Bond Registrar but only in the manner, subject to the limitations, and upon payment of the charges provided in the Bond Ordinance and upon surrender of this Bond. Upon such transfer, a new registered Bond or Bonds of the same series, maturity, interest rate, aggregate principal amount, and tenor, of any authorized denomination or denominations, and bearing numbers not then outstanding, will be issued to the transferee in exchange for this Bond. The Series 2001 **[B or C]** Bonds are issuable as fully registered Bonds in Authorized Denominations (as defined in the Series 2001 Ordinance).

The Series 2001 Bonds, the Series 1999A Bonds, and such revenue bonds of the City as may in the future be issued on a parity therewith, are equally and ratably secured by pledge of the "Pledged Revenues" of the water and sewer system (the "System") of the City, which are defined in the Bond Ordinance to include gross operating revenues, certain amounts payable by any provider of a Hedge Agreement (as defined in the Bond Ordinance) pursuant to such Hedge Agreement, moneys and securities from time to time on deposit in the funds and accounts established in the Bond Ordinance, and earnings on investments made with the foregoing moneys and securities, excluding any amounts required in the Bond Ordinance to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated with respect to any such rebate requirement.

THE SERIES 2001 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OF THE CITY NOR A PLEDGE OF THE FAITH AND CREDIT OF THE CITY. THE SERIES 2001 BONDS SHALL NOT BE PAYABLE FROM OR A CHARGE UPON ANY FUNDS OTHER THAN THE REVENUES AND AMOUNTS PLEDGED TO THE PAYMENT THEREOF, NOR SHALL THE CITY BE SUBJECT TO ANY PECUNIARY LIABILITY THEREON. NO OWNER OR OWNERS OF THIS BOND SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE CITY TO PAY THIS BOND OR THE INTEREST HEREON, NOR TO ENFORCE PAYMENT OF THIS BOND AGAINST ANY PROPERTY OF THE CITY; NOR SHALL THIS BOND CONSTITUTE A CHARGE, LIEN, OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE CITY, EXCEPT FOR THE PLEDGED REVENUES AND ANY OTHER FUNDS PLEDGED TO SECURE THE SERIES 2001 BONDS.



The City has covenanted and hereby covenants and agrees at all times while any Series 2001 Bonds are outstanding and unpaid to prescribe, fix, maintain, and collect rates, fees, and other charges for the services, facilities, and commodities furnished by the System fully sufficient at all times to: (i) provide for 100% of the expenses of operation and maintenance of the System and for the accumulation in the Revenue Fund (as defined in the Bond Ordinance) of a reasonable reserve therefor, and (ii) produce net operating revenues in each Fiscal Year (as defined in the Bond Ordinance) which, together with certain investment earnings, will: (a) equal at least 110% of the debt service requirement on all Senior Bonds (as defined in the Bond Ordinance) then outstanding and 100% of the debt service requirement on all Subordinate Bonds (as defined in the Bond Ordinance) then outstanding, (b) enable the City to make all required payments into the Debt Service Reserve Account and the Rebate Fund and to any Credit Issuer, any Reserve Account Credit Facility Provider, and any Qualified Hedge Provider (as each is defined in the Bond Ordinance), (c) enable the City to accumulate an amount to be held in the Renewal and Extension Fund (as defined in the Bond Ordinance), which in the judgment of the City is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System, and (d) remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Bond Ordinance from prior Fiscal Years.

The Bond Ordinance contains a more particular statement of the covenants and provisions securing the Series 2001 Bonds, the conditions under which the owner of this Bond may enforce covenants (other than the covenant to pay principal of and interest on this Bond when due from the sources provided, the right to enforce which is unconditional), the conditions upon which additional revenue bonds may be issued on a parity or achieve parity status with this Bond under the Bond Ordinance, and the conditions upon which the Bond Ordinance may be amended with the consent of the owners of a majority in aggregate principal amount of the Bonds (as defined in the Bond Ordinance) of each class (senior and subordinate) outstanding or the issuer of any Credit Facility (as defined in the Bond Ordinance), if any, of such Bonds. Upon the occurrence of an Event of Default under the Bond Ordinance, the owner of this Bond shall be entitled to the remedies provided by the Bond Ordinance and the Revenue Bond Law.

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, happen, and be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form, and manner as required by law.

This Bond shall not be entitled to any security or benefit under the Bond Ordinance or become valid or obligatory for any purpose until the certificate of authentication hereon shall have been duly executed by the Bond Registrar.



IN WITNESS WHEREOF, the City has caused this Bond to be executed by the manual signature of its Mayor and has caused the official seal of the City to be impressed on this Bond and attested by the manual signature of its Municipal Clerk.

CITY OF ATLANTA

(SEAL)

By: _____
Mayor

Attest:

Municipal Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION]

BOND REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the bonds of the series described in the within mentioned Bond Ordinance.

THE BANK OF NEW YORK,
as Bond Registrar

By: _____
Authorized Signatory

Date of Registration
and Authentication:



[FORM OF STATEMENT OF INSURANCE]

STATEMENT OF INSURANCE

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to The Bank of New York, New York, New York, or its successor, as paying agent for the Series 2001 Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent, and a copy thereof may be obtained from Financial Security or the Paying Agent.

OR

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the City of Atlanta Water and Wastewater Revenue Bonds, Series 2001C (ARCs) (the "Bonds"), such policy being on file at the principal office of the paying agent (the "Paying Agent"):

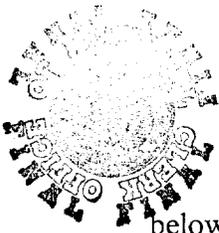
Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholders that portion of the principal of and interest on the Bonds which is then due for payment and which the issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to principal, 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 the payment of principal of the Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration, or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Paying Agent to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Paying Agent, Financial Guaranty 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., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY



The following abbreviations, when used in the inscription on this Bond or in the assignment below, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common and not as community property
- UNIF TRANS
MIN ACT - _____ Custodian _____
(Custodian) (Minor)
under Uniform Transfers to Minors Act _____
(State)

Additional abbreviations may be used although not in the above list.

[FORM OF ASSIGNMENT]

ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto _____

(Name and Address of Assignee)

(Insert Social Security or Taxpayer Identification Number of Assignee)

the within revenue bond of the City of Atlanta and does hereby irrevocably constitute and appoint _____ attorney to transfer the Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

(Signature Guaranteed)
Notice: Signature(s) must be guaranteed by an eligible guarantor institution (such as banks, stockbrokers, savings and loan associations, and credit unions) with membership in an approved Signature Guarantee Medallion Program pursuant to S.E.C. Rule 17Ad-15.

Registered Owner
Notice: The signature(s) on this assignment must correspond with the name as it appears on the face of the within bond in every particular without alteration or enlargement or any change whatsoever.

[END OF BOND FORM]



Section 2.8. DTC Book-Entry. The Series 2001 Bonds shall be initially issued in the name of Cede & Co., as nominee for DTC, as registered owner of the Series 2001 Bonds, and held in the custody of DTC. A single certificate will be issued and delivered to DTC for each maturity of each series of the Series 2001 Bonds. The actual purchasers of the Series 2001 Bonds (the “Beneficial Owners”) will not receive physical delivery of Series 2001 Bond certificates except as provided herein. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of each Series 2001 Bond acquired. For so long as DTC shall continue to serve as securities depository for the Series 2001 Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling, or otherwise transferring beneficial ownership of Series 2001 Bonds is to receive, hold, or deliver any Series 2001 Bond certificate.

For every transfer and exchange of the Series 2001 Bonds, the Beneficial Owner may be charged a sum sufficient to cover such Beneficial Owner’s allocable share of any tax, fee, or other governmental charge that may be imposed in relation thereto.

Series 2001 Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner, under the following circumstances:

- (a) DTC determines to discontinue providing its service with respect to the Series 2001 Bonds (such a determination may be made at any time by giving 30 days’ notice to the City and the Bond Registrar and discharging its responsibilities with respect thereto under applicable law), or
- (b) the Chief Officer determines that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners.

The City and the Bond Registrar will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting.

The City and the Bond Registrar covenant and agree, so long as DTC shall continue to serve as securities depository for the Series 2001 Bonds, to meet the requirements of DTC with respect to required notices and other provisions of the Letter of Representations.

The Bond Registrar is authorized to rely conclusively upon a certificate furnished by DTC and corresponding certificates from DTC participants and indirect participants as to the identity of, and the respective principal amount of Series 2001 Bonds beneficially owned by, the Beneficial Owner or Beneficial Owners.

If at any time, DTC ceases to hold the Series 2001 Bonds, a Supplemental Ordinance amending the relevant provisions of the Bond Ordinance shall be adopted and thereafter all references in the Bond Ordinance to DTC in connection with the Series 2001 Bonds shall be of no further force or effect.

[End of Article II]



ARTICLE III

MODAL BONDS

Section 3.1. Mode Titles; Title Change on Certain Mode Changes. (a) The title of a Modal Bond operating in a Variable Rate Mode shall include “(Variable Rate Demand)” after the series designation. The title of a Modal Bond operating in a Modal Fixed Rate Mode shall include “(Modal Fixed Rate)” after the series designation. The title of a Modal Bond operating in the Auction Rate Mode shall include “(ARCs)” after the series designation.

(b) Whenever the Mode of a Variable Rate Bond is changed to the Modal Fixed Rate Mode or the Auction Rate Mode, the title of the resulting Modal Bond shall include “(Modal Fixed Rate)” or “(ARCs),” as the case may be, in substitution for “(Variable Rate Demand).”

Section 3.2. Changes in Connection with Certain Mode Changes. (a) Any Mode Change Notice delivered to change the Mode of some or all Variable Rate Bonds of a Series also may provide for:

(1) adding, deleting, or otherwise modifying Principal Maturity Dates of such Bonds so long as any additional Principal Maturity Date is a November 1 occurring no later than the last Principal Maturity Date of such Series;

(2) adding, deleting, or otherwise modifying the principal of such Bonds maturing on any Principal Maturity Date so long as the entire principal amount authorized hereunder of such Series is amortized no later than the last Principal Maturity Date of such Series;

(3) adding or deleting any of such Bonds as Term Bonds and adding, deleting, or otherwise modifying the schedule of mandatory redemptions for any such Term Bonds;

(4) adding or deleting or otherwise modifying the terms hereof for optional redemption of such Bonds as Modal Fixed Rate Bonds and the redemption prices thereof; and

(5) decreasing the Stated Maximum Rate of any such Bonds, subject to the prior written consent of any Credit Issuer providing liquidity support.

(b) The change described in such notice shall be effective when, but only when, the change to the Mode contemplated by such notice becomes effective and only if:

(1) such Variable Rate Bonds could be issued as Parity Bonds under the Bond Ordinance (treating, for such purpose, the Bonds with the amortization to be adjusted as no longer Outstanding to the extent of the adjustment), and

(2) the Credit Issuer of the Credit Facility providing credit support for the particular Series of Modal Bonds has consented to the changes contained in such Mode Change Notice.



Section 3.3. Interest. Interest on each Variable Rate Bond and Modal Fixed Rate Bond shall be:

- (1) payable at the rate determined on each Rate Determination Date for such Mode as provided in Article III hereof and effective as of the Interest Adjustment Date for which such rate was determined and effective until (and excluding) the next Interest Adjustment Date or if such Mode includes only one Interest Adjustment Date then the day before such Mode is changed;
- (2) calculated at the Day Count Convention for such Mode; and
- (3) payable on the Interest Payment Date for such Mode to the Modal Holder of such Bond as of the Record Date for such Mode provided that:
 - (i) if any such Interest Payment Date occurs after the stated maturity of the related Bond then interest shall be paid on such stated maturity; and
 - (ii) if interest on any such Bond shall be in default, then such interest shall be payable on the special Interest Payment Date, if any, established for such Bond.

Section 3.4. Payment of Interest. (a) Modal Fixed Rate Bonds. Interest on Modal Fixed Rate Bonds shall be paid by the Paying Agent as provided in Article II of the Master Ordinance.

(b) Variable Rate Bonds. Interest due on Variable Rate Bonds on an Interest Payment Date shall be paid by the Tender Agent as follows:

- (1) Modal Holders, as of the applicable Record Date, of Short-Term Bonds shall be paid by wire transfer of immediately available funds to the account specified by each such Modal Holder in a writing delivered to the Tender Agent. Such writing shall remain in effect until revoked or revised by such Modal Holder in a writing delivered to the Tender Agent.
- (2) Modal Holders, as of the applicable Record Date, of Term Rate Bonds shall be paid by check mailed by the Tender Agent to each such Modal Holder at its address appearing in the Bond Register as of such Record Date except that any Modal Holder of \$1,000,000 or more in aggregate principal amount of Modal Fixed Rate Bonds shall be paid in the same manner as Modal Holders of Short-Term Bonds upon such Modal Holder delivering the writing required by paragraph (1) above.

(c) Defaulted Interest.

(1) If interest on any Variable Rate Bond payable on an Interest Payment Date is not duly paid or provided for then such interest ("**Defaulted Interest**") shall cease to be payable to the Person in whose name such Variable Rate Bond (or a Predecessor Variable Rate Bond) was registered on the Record Date for such Interest Payment Date.

(2) Defaulted Interest shall be payable by the Paying Agent to the Person in whose name such Variable Rate Bond is registered on a Special Record Date established by the Bond Registrar.

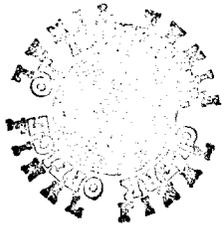


(3) The Bond Registrar shall establish a Special Record Date of approximately the same number of days before the day on which the Paying Agent proposes to pay such Defaulted Interest as the number of days by which the Record Date preceded the Interest Payment Date on which such Defaulted Interest would have been payable had the default not occurred.

(4) **“Predecessor Variable Rate Bond”** means, with respect to any Variable Rate Bond, every previous Variable Rate Bond evidencing all or a portion of the same as that evidenced by such Variable Rate Bond; and, for this purpose, every Variable Rate Bond authenticated and delivered pursuant to Section 2.9 of the Master Ordinance (or any successor section to such section) in lieu of any lost, destroyed, or stolen Variable Rate Bond shall be deemed to evidence the same debt as such lost, destroyed, or stolen Variable Rate Bond.

Section 3.5. Pledged Series 2001 Bonds. Interest on Pledged Series 2001 Bonds shall be calculated and payable as provided in the related Credit Facility providing liquidity support.

[End of Article III]



CORRECTED COPY

ARTICLE IV

INTEREST RATE DETERMINATIONS FOR VARIABLE RATE BONDS AND MODAL FIXED RATE BONDS

Section 4.1. Manner of Determining Interest Rates. (a) The interest rate for all Variable Rate Bonds and Modal Fixed Rate Bonds in each Tranche, commencing with the first Rate Determination Date after the Closing Date, shall be determined by the Remarketing Agent on each Rate Determination Date as provided in this Article.

(b) If any interest rate determined as provided in this Article for any Tranche exceeds the Modal Maximum Rate, then the interest rate for such Tranche shall be the Modal Maximum Rate.

(c) The determination of any interest rate pursuant to this Article shall be conclusive.

Section 4.2. Interest Rate Determinations for Flexible Rate Mode. (a) Flexible Rate Bonds shall bear interest at rates derived by determining the Period that, in the judgment of the Remarketing Agent, would result in the lowest interest cost for such Flexible Rate Bonds as provided in this Section.

(b) On each Rate Determination Date for Flexible Rate Bonds, the Remarketing Agent shall determine the Period that results in selling such Flexible Rate Bonds at par in the secondary market at such rate for such Period that in the judgment of the Remarketing Agent would result in the lowest interest cost for the City under prevailing market conditions on such Rate Determination Date, subject to the following conditions and limitations.

(1) If the Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Period would result in a lower interest cost on such Flexible Rate Bonds, then the Remarketing Agent shall select such Period that in the judgment of the Remarketing Agent would result in such lowest interest cost for the City.

(2) The Remarketing Agent is subject to the limitations contained in Section 6.4 hereof in establishing any Flexible Rate Period.

(c) On or after 4:00 p.m. on the Modal Business Day immediately before each Rate Determination Date for a Flexible Rate Bond, any Holder of such Bond may telephone the Remarketing Agent and receive notice of the anticipated next Period or Periods and the anticipated Flexible Rate for each such Period.

(d) By 12:30 p.m. on each Rate Determination Date for each Flexible Rate Bond, the Remarketing Agent shall determine the Flexible Rate for the Period then selected for such Bond and shall give notice by Electronic Means to the Tender Agent of the name of the new Holder, the Period, the Purchase Date, and the Flexible Rate.

(e) The Remarketing Agent shall promptly notify the Finance Officer, the Paying Agent, and the Tender Agent of each interest rate determination made under this Section.



Section 4.3. Interest Rate Determinations for All Other Modes. (a) The interest rate for each Tranche of Modal Bonds other than Flexible Rate Bonds and Auction Rate Bonds shall be determined by the Remarketing Agent on the Rate Determination Date for such Mode as the interest rate that in the judgment of the Remarketing Agent would allow such Modal Bonds to be sold at par plus interest accrued to the purchase date, under prevailing market conditions on such Rate Determination Date.

(1) During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 9:30 a.m. on each Rate Determination Date. The Daily Rate for any day during the Daily Mode that is not a Modal Business Day shall be the Daily Rate established on the immediately preceding Rate Determination Date.

(2) During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 5:00 p.m. on each Rate Determination Date.

(3) The Term Rate for any Term Rate Bond shall be determined by the Remarketing Agent not later than 4:00 p.m. on the Rate Determination Date for such Term Rate Bond.

(4) The Remarketing Agent shall determine the Modal Fixed Rate for each Modal Fixed Rate Bond not later than 4:00 p.m. on the Rate Determination Date for such Modal Fixed Rate Bond.

(b) Upon making each interest rate determination pursuant to this Section, the Remarketing Agent shall give immediate notice by Electronic Means to the Finance Officer, the Paying Agent, and the Tender Agent of such interest rate determination.

Section 4.4. Failure of Interest Rate Determination. (a) Each of the following constitutes a “Rate Suspension Event”:

(1) the Remarketing Agent fails or is unable to determine the interest rate or Period for any Variable Rate Bond or Modal Fixed Rate Bond; or

(2) a court of law of competent jurisdiction shall hold either of the following to be unenforceable or shall stay either:

(i) the method by which the Remarketing Agent determines the interest rate with respect to a Variable Rate Bond or Modal Fixed Rate Bond, or

(ii) the selection by the Finance Officer of the Term Rate Periods.

(b) The Remarketing Agent shall notify every other Notice Party of the occurrence of any Rate Suspension Event.

(c) A Rate Suspension Event shall continue until the Remarketing Agent (or the Finance Officer if applicable) again makes such determinations. In the case of clause (ii) above, the Remarketing Agent (or the Finance Officer, if applicable) shall again make such determination at such time as there is delivered to the Remarketing Agent and the Finance Officer an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determinations.



(d) The following rates are applicable upon the occurrence and during the continuance of a Rate Suspension Event:

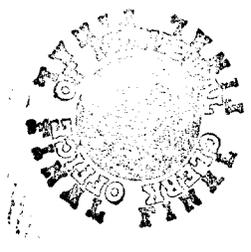
(1) for a Daily Rate Bond, the Alternative Weekly Rate as of each Weekly Rate Determination Date;

(2) for a Weekly Rate Bond, the Alternative Weekly Rate as of each Weekly Rate Determination Date;

(3) for a Flexible Rate Bond, the Alternative Weekly Rate in effect on the Modal Business Day that begins each Flexible Rate Period. Each such Flexible Rate Period shall be of the duration specified in Section 6.3 hereof; and

(4) for a Term Rate Bond, the Alternative Term Rate for the Term Rate Period extended as provided in Section 6.5 hereof.

[End of Article IV]



ARTICLE V

AUCTION RATE MODE

Section 5.1. Description of ARCs; Global Form; Depository. (a) The Finance Officer may, in the Schedule of Terms for Modal Bonds, select the Auction Rate Mode as the Initial Mode for any Modal Bonds. Variable Rate Bonds may, from time to time, be converted to additional Tranches of ARCs pursuant to this Series 2001 Ordinance.

(b) Except as otherwise provided in this Section 5.1, the ARCs, in the form of one or more securities, shall be registered in the name of DTC, and ownership thereof shall be maintained in book-entry form by DTC for the account of the Participants thereof. Initially, the ARCs shall be registered in the name of Cede & Co., as the nominee of DTC. Except as provided in subsection (c) of this Section 5.1, the ARCs of each Tranche may be transferred, in whole but not in part, only to DTC, or to a successor to DTC selected or approved by the City (with the prior written consent of the Auction Credit Issuer, which consent shall not be unreasonably withheld) or to a nominee of such successor depository.

None of the City, the Bond Registrar, the Auction Credit Issuer, or any of their respective affiliates shall have any responsibility or obligation with respect to:

- (A) the accuracy of the records of DTC or any Participant with respect to any beneficial ownership interest in the ARCs;
- (B) the delivery to any Participant, any beneficial owner of the ARCs, or any other person, other than DTC, of any notice with respect to the ARCs; or
- (C) the payment to any Participant, any beneficial owner of the ARCs, or any other person, other than DTC, of any amount with respect to the principal, premium, if any, or interest on the ARCs.

So long as the certificates for the ARCs are not issued pursuant to subsection (c) of this Section 5.1, the City and the Bond Registrar may treat DTC as, and deem DTC to be, the absolute owner of the ARCs for all purposes whatsoever, including without limitation:

- (1) the payment of principal, premium, if any, and interest on the ARCs;
- (2) giving notices of redemption and other matters with respect to the ARCs;
- (3) registering transfer with respect to the ARCs; and
- (4) the selection of ARCs for redemption.



(c) If at any time the Market Agent (with the prior written consent of the Auction Credit Issuer) has notified the City that the ARCs (or any Tranche of ARCs) should not be maintained in book-entry form or DTC notifies the City that it is unwilling or unable to continue as depository with respect to the ARCs, or if at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor depository is not appointed by the City within 90 days after the City receives notice or becomes aware of such condition, as the case may be, then this Section 5.1 shall no longer be applicable, and the City shall execute and the Bond Registrar shall authenticate and deliver certificates representing the ARCs as provided below. Certificates for the ARCs issued in exchange for a global certificate pursuant to this subsection (c) shall be registered in such names and Authorized Denominations as DTC, pursuant to instructions from the Participants or otherwise, shall instruct the City and the Bond Registrar. The Bond Registrar shall deliver such certificates representing the ARCs to the persons in whose names such ARCs are so registered on the Auction Business Day immediately preceding the first day of an Interest Period.

Section 5.2. Limitations on Transfer. So long as the ownership of the ARCs is maintained in book-entry form by DTC, an Existing Holder may sell, transfer, or otherwise dispose of its beneficial interest in ARCs only pursuant to a Bid or Sell Order placed in any Auction or to or through a Broker-Dealer; provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer, or its Participant advises the Auction Agent of such transfer.

Section 5.3. Interest on ARCs. (a) Interest on each Tranche of ARCs shall accrue during the Interest Period related thereto and shall be payable in arrears on each Interest Payment Date related thereto. Interest shall be calculated as provided in Section 5.9 hereof.

(b) During the Initial Interest Period applicable thereto the ARCs shall bear interest at the per annum rate specified in the Schedule of Terms for Modal Bonds, and the ARCs of any future Tranche of Modal Bonds converted to the Auction Rate Mode shall bear interest at the rate specified in (or determined pursuant to procedures specified in) the applicable Mode Change Notice for such Tranche. After the Initial Interest Period, the rate of interest on the related Tranche of ARCs for each Interest Period shall be the Auction Rate; provided that if, on any Auction Date, an Auction is not held for any reason, then the rate of interest for the next succeeding Interest Period for such ARCs shall equal the Maximum ARC Rate on such Auction Date. Notwithstanding the foregoing, if:

(i) the ownership of a Tranche of ARCs is no longer maintained in book-entry form by DTC, the rate of interest on such Tranche of ARCs for any Interest Period commencing after the delivery of certificates representing ARCs pursuant to Section 5.1(c) of this Series 2001 Ordinance shall equal the Maximum ARC Rate on the Auction Business Day immediately preceding the first day of such Interest Period; or

(ii) if a Payment Default occurs, Auctions will be suspended and the Applicable ARCs Rate (as defined below) for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than two Auction Business Days after, such Payment Default is cured will equal the Default Rate.



The rate per annum at which interest is payable on a Tranche of ARCs for any Interest Period is herein referred to as the “**Applicable ARCs Rate.**” Notwithstanding anything herein to the contrary, the Applicable ARCs Rate cannot exceed the Maximum ARC Rate.

(c) Notwithstanding anything herein to the contrary, if any ARC or portion thereof has been selected for redemption during the next succeeding Interest Period, such ARC or portion thereof will not be included in the Auction preceding such Redemption Date, and such ARC or portion thereof will continue to bear interest until the Redemption Date at the rate established for the Interest Period prior to such Auction.

Section 5.4. Payments. So long as the ARCs are registered in the name of DTC or the nominee thereof, payment of interest (other than at maturity) and premium, if any, on, and of principal at redemption of, the ARCs shall be made to DTC by wire transfer provided proper wire instructions are received. Each Holder of ARCs, by such Holder’s purchase of ARCs, appoints the Paying Agent as its agent in connection with the payment by such Holder of its share, if any, of the amounts payable to the Auction Agent and the Broker-Dealers pursuant to Section 5.7(a) of this Series 2001 Ordinance.

Section 5.5. Auction Procedures. With respect to each Tranche of ARCs, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Interest Period commencing after the ownership of such Tranche of ARCs is no longer maintained in book-entry form by DTC; (ii) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Interest Period commencing less than the Applicable Number of Auction Business Days after the cure or waiver of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted (for the related Tranche of ARCs and only for such Tranche) in the following manner:

(a) Orders by Existing Holders and Potential Holders.

(i) Except as provided in clause (C) below, prior to the Submission Deadline on each Auction Date:

(A) each Existing Holder of ARCs may submit to a Broker-Dealer information as to:

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

(2) the principal amount of Outstanding ARCs, if any, that such Existing Holder offers to sell if the Auction Rate for the next succeeding Interest Period shall be less than the rate per annum specified by such Existing Holder; and/or

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



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

(C) Notwithstanding the foregoing, prior to the Submission Deadline on the Initial Auction Date, (1) each Existing Holder of ARCs will be deemed to have submitted to a Broker-Dealer information as to the principal amount of Outstanding ARCs held by such Existing Holder and that such Existing Holder offers to sell all of such Outstanding ARCs without regard to Auction Rate for the Initial Auction Period, unless, (2) prior to the Submission Deadline, such Existing Holder shall have submitted to a Broker-Dealer the information described in (Y) paragraph (A)(1) above or (Z) paragraph (A)(2) above.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (A)(1), (A)(2), (A)(3), (B), or (C) of this paragraph (i) is hereinafter referred to as an **"Order"** and collectively as **"Orders,"** and each Existing Holder and each Potential Holder placing an Order is hereinafter referred to as a **"Bidder"** and collectively as **"Bidders"**; an Order containing the information referred to in (x) clause (A)(1) or (C)(2)(Y) of this paragraph (i) is hereinafter referred to as a **"Hold Order"** and collectively as **"Hold Orders,"** (y) clause (A)(2), (B), or (C)(2)(Z) of this paragraph (i) is hereinafter referred to as a **"Bid"** and collectively as **"Bids,"** and (z) clause (A)(3) or (C)(1) of this paragraph (i) is hereinafter referred to as a **"Sell Order"** and collectively as **"Sell Orders."**

(ii) (A) Subject to the provisions of Section 5.5(b) of this Series 2001 Ordinance, a Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in this Section 5.5 shall be less than the rate specified in such Bid; or

(2) such principal amount or a lesser principal amount of Outstanding ARCs to be determined as set forth in Section 5.5(d)(i)(D) of this Series 2001 Ordinance, if the Auction Rate determined as provided in this Section 5.5 shall be equal to the rate specified in such Bid; or

(3) such principal amount or a lesser principal amount of Outstanding ARCs to be determined as set forth in Section 5.5(d)(ii)(C) of this Series 2001 Ordinance if the rate specified shall be higher than the Maximum ARC Rate and Sufficient Clearing Bids have not been made.

(B) Subject to the provisions of Section 5.5(b) of this Series 2001 Ordinance, a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding ARCs specified in such Sell Order; or



(2) such principal amount or a lesser principal amount of Outstanding ARCs as set forth in Section 5.5(d)(ii)(C) of this Series 2001 Ordinance if Sufficient Clearing Bids have not been made.

(C) Subject to the provisions of Section 5.5(b) of this Series 2001 Ordinance, a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(1) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in this Section 5.5 shall be higher than the rate specified in such Bid; or

(2) such principal amount or a lesser principal amount of Outstanding ARCs as set forth in Section 5.5(d)(i)(E) of this Series 2001 Ordinance if the Auction Rate determined as provided in this Section 5.5 shall be equal to the rate specified in such Bid.

(b) Submission by Broker-Dealer to Auction Agent.

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

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

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

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

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

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

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

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

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all Outstanding ARCs held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding ARCs held by such Existing Holder and not



subject to an Order submitted to the Auction Agent except that the Auction Agent shall deem an offer to sell to have been submitted on behalf of such Existing Holder for the Initial Auction Period (as described in Section 5.5(a)(i)(C) of this Series 2001 Ordinance).

(iv) None of the City, the Bond Registrar, or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

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

(A) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of ARCs held by such Existing Holder, and if the aggregate principal amount of ARCs subject to such Hold Orders exceeds the aggregate principal amount of ARCs held by such Existing Holder, the aggregate principal amount of ARCs subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding ARCs held by such Existing Holder;

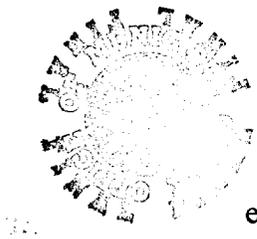
(B) (1) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to any Hold Orders referred to in clause (A) of this paragraph (v);

(2) subject to subclause (1) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding ARCs subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess and the stated amount of ARCs subject to each Bid with the same rate shall be reduced pro rata to cover the stated amount of ARCs equal to such excess;

(3) subject to subclauses (1) and (2) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(4) in any such event, the aggregate principal amount of Outstanding ARCs, if any, subject to Bids not valid under this clause (B) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to valid Hold Orders referred to in clause (A) of this paragraph (v) and valid Bids referred to in clause (B) of this paragraph (v).



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

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

(viii) Any Bid submitted by an Existing Holder or a Potential Holder specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate, and any such Bid shall be considered as valid and shall be selected in the ascending order of the respective rates in the Submitted Bids.

(ix) An Existing Holder that offers to purchase additional ARCs is, for purposes of such offer, treated as a Potential Holder.

(x) Any Bid specifying a rate higher than the Modal Maximum Rate will (1) be treated as a Sell Order if submitted by an Existing Holder and (2) not be accepted if submitted by a Potential Holder.

(c) Determination of Sufficient Clearing Bids, Auction Rate, and Winning Bid Rate.

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

(A) the excess of the total principal amount of Outstanding ARCs over the sum of the aggregate principal amount of Outstanding ARCs subject to Submitted Hold Orders (such excess being hereinafter referred to as the "**Available ARCs**"); and

(B) from such Submitted Orders whether the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum ARC Rate, exceeds or is equal to the sum of:

(1) the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum ARC Rate; and

(2) the aggregate principal amount of Outstanding ARCs subject to Submitted Sell Orders;



(in the event such excess or such equality exists, other than because the sum of the principal amounts of ARCs in subclauses (1) and (2) above is zero because all of the Outstanding ARCs are subject to Submitted Hold Orders, such Submitted Bids in this clause (B) being hereinafter referred to collectively as “**Sufficient Clearing Bids**”); and

(C) if Sufficient Clearing Bids have been made, the lowest rate specified in such Submitted Bids (which shall be the “**Winning Bid Rate**”) such that if:

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

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

the result would be that such Existing Holders described in subclause (1) above would continue to hold an aggregate principal amount of Outstanding ARCs that, when added to the aggregate principal amount of Outstanding ARCs to be purchased by such Potential Holders described in subclause (2) above, would equal not less than the Available ARCs.

(ii) Promptly after the Auction Agent has made the determinations pursuant to paragraph (i) of this subsection (c), the Auction Agent shall advise the Paying Agent in writing by facsimile of the Maximum ARC Rate and the All Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Interest Period (the “**Auction Rate**”) as follows:

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

(B) if Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Interest Period shall be equal to the Maximum ARC Rate; or

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



(d) Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of ARCs. Existing Holders shall continue to hold the principal amount of ARCs that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to Section 5.5(c)(i) of this Series 2001 Ordinance, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

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

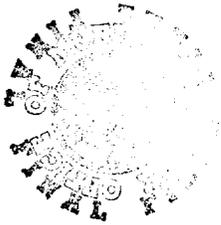
(A) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of ARCs subject to such Submitted Bids;

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

(C) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring such Potential Holder to purchase the aggregate principal amount of ARCs subject to such Submitted Bids;

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

(E) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of ARCs obtained by multiplying the excess of the aggregate principal amount of Available ARCs over the aggregate principal amount of ARCs subject to Submitted Bids described in clauses (B), (C), and (D) of this paragraph (i) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding ARCs



subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Outstanding ARCs subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

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

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

(B) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum ARC Rate shall be accepted, thus requiring each Potential Holder to purchase the aggregate principal amount of ARCs subject to such Submitted Bids; and

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

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

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

(e) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of ARCs to be purchased and the aggregate principal amount of ARCs to be sold by Potential Holders and Existing Holders on whose behalf each



Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of ARCs to be sold differs from such aggregate principal amount of ARCs to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, ARCs.

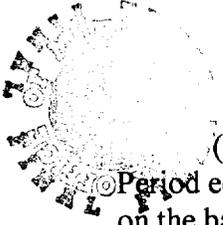
Section 5.6. Certain Orders Not Permitted. The City may not submit an Order in any Auction. The Auction Agent shall have no duty or liability in monitoring or enforcing compliance with this Section 5.6.

Section 5.7. Notice of Payment Defaults and Cures; Payment of Service Charges.
(a) The City shall, from time to time and upon receipt of invoices provided therefor, pay to the Auction Agent an amount equal to the Auction Agent Fee as calculated in the Auction Agency Agreement and an amount equal to the Broker-Dealer Fee as calculated in the Broker-Dealer Agreement.

(b) By 12:30 p.m. New York City time on the Auction Business Day immediately succeeding each Interest Payment Date, the Paying Agent will determine if a Payment Default has occurred. If a Payment Default has occurred, the Paying Agent shall notify the Auction Agent and Broker-Dealer by 1:00 p.m. New York City time of such Payment Default. If a Payment Default has been cured, the Paying Agent shall so notify the Auction Agent and the Broker-Dealer by 5:00 p.m. New York City time on the day such Payment Default is cured or waived.

Section 5.8. Calculation of Maximum ARC Rate, All Hold Rate, and Default Rate. The Auction Agent shall calculate the Maximum ARC Rate and the All Hold Rate on each Auction Date. If the ownership of the ARCs is no longer maintained in book-entry form by DTC, the Paying Agent shall calculate the Maximum ARC Rate on the Auction Business Day immediately preceding the first day of each Interest Period commencing after the delivery of certificates representing the ARCs pursuant to Section 5.1(c) of this Series 2001 Ordinance. If a Payment Default shall have occurred, the Paying Agent shall calculate the Default Rate on the first day of (i) each Interest Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Interest Period commencing less than the Applicable Number of Auction Business Days after the cure or waiver of any Payment Default. The Auction Agent shall determine the AA Financial Commercial Paper Rate for each Interest Period other than the first Interest Period; provided, that if the ownership of the ARCs is no longer maintained in book-entry form, or if a Payment Default has occurred, then the Paying Agent shall determine the AA Financial Commercial Paper Rate for each such Interest Period. The determination by the Paying Agent or the Auction Agent, as the case may be, of the AA Financial Commercial Paper Rate shall (in the absence of manifest error) be final and binding upon all parties. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Paying Agent of the AA Financial Commercial Paper Rate.

Section 5.9. Computation of Interest. The amount of interest distributable to Holders of ARCs in respect of each \$25,000 in principal amount thereof for any Interest Period or part thereof shall be calculated as follows:



(a) With respect to any Tranche of ARCs with an Initial Interest Period or an Auction Period equal to one year or more, interest on such ARCs for any Interest Period shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

(b) With respect to any Tranche of ARCs with an Initial Interest Period or an Auction Period of less than one year, interest on such ARCs for any Interest Period shall be calculated by applying the respective Applicable ARCs Rate for such Interest Period or part thereof to the principal amount of \$25,000, multiplying such product by the actual number of days in the Interest Period or part thereof concerned divided by 365 or 366, as applicable, and truncating the resultant figure to the nearest one cent. Interest on such ARCs shall be computed by the Paying Agent on the basis of a 365-day year for the number of days actually elapsed; except that for any such calculation with respect to an Interest Payment Date occurring after January 1 of any leap year through December 31 of such leap year, such interest (for any day occurring during such period) shall be computed on the basis of a 366-day year period. The Paying Agent shall make the calculation required in this Section 5.9(b) not later than the close of business on each Auction Date.

Section 5.10. Notification of Rates, Amounts, and Payment Dates. (a) The Paying Agent shall determine the aggregate amount of interest distributable on the next succeeding Interest Payment Date to the Holders of the ARCs. So long as the ownership of the ARCs is maintained in book-entry form by DTC, the Paying Agent shall advise DTC of each Record Date for the ARCs at least two Auction Business Days prior thereto.

(b) Promptly after each Interest Payment Date for the ARCs, and in any event at least 10 days prior to each Interest Payment Date following the Initial Interest Payment Date, the Paying Agent shall:

(i) so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by DTC, confirm the Auction Agent's determination of (A) the date of such next Interest Payment Date and (B) the amount payable to the Auction Agent pursuant to Section 5.7 hereof and notify the Auction Agent of any discrepancy therein; and

(ii) advise DTC, so long as the ownership of the ARCs is maintained in book-entry form by DTC, of the respective Applicable ARCs Rate and the Interest Amount in respect of the next succeeding Interest Period.

In the event that any day that is scheduled to be an Interest Payment Date shall be changed after the Paying Agent shall have given the notice referred to in clause (i) of the preceding paragraph, not later than 9:15 a.m., New York City time, on the Auction Business Day next preceding the earlier of the new Interest Payment Date or the old Interest Payment Date, the Paying Agent shall, by such means as the Paying Agent deems practicable, give notice of such change to the Auction Agent, so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by DTC.



Section 5.11. Adjustment in Percentages. (a) The Market Agent shall adjust the percentage used in determining the All Hold Rate, the Applicable Percentage used in determining the Maximum ARC Rate, and the percentage of the Kenny Index used in determining the Default Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Preference Law such that ARCs paying the Maximum ARC Rate, ARCs paying the All Hold Rate, and ARCs paying the Default Rate shall have equal market values before and after such Change of Preference Law. Prior to any such adjustment, the City shall give notice thereof to the Rating Agency and no such adjustment shall be made unless such adjustment will not adversely affect the rating on any of the Modal Bonds. In making any such adjustment, the Market Agent shall take the following factors, as in existence both before and after such Change of Preference Law, into account:

- (i) short-term taxable and tax-exempt market rates and indices of such short-term rates;
- (ii) the market supply and demand for short-term tax-exempt securities;
- (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the ARCs;
- (iv) general economic conditions; and
- (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the ARCs.

(b) The Market Agent shall effectuate an adjustment in the percentage used in determining the All Hold Rate, the Applicable Percentage used in determining the Maximum ARC Rate, and the Applicable Percentage of the Kenny Index used to determine the Default Rate pursuant to subsection (a) of this Section by delivering to the City, the Auction Credit Issuer, the Paying Agent, and the Auction Agent at least 10 days prior to the Auction Date on which the Market Agent desires to effect such change a Favorable Bond Counsel's Opinion and a certificate in substantially the form attached hereto as Exhibit B, authorizing the adjustment of the percentage used in determining the All Hold Rate, the Applicable Percentage used in determining the Maximum ARC Rate, and the Applicable Percentage of the Kenny Index used to determine the Default Rate, which shall be specified in such certificate.



Section 5.12. Market Agent The Paying Agent shall enter into a Market Agent Agreement with UBS PaineWebber Inc., as the initial Market Agent. The Market Agent shall serve as such under the terms and provisions hereof and of the Market Agent Agreement. The Market Agent, including any successor appointed pursuant hereto, shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$50,000,000, and be authorized by law to perform all the duties imposed upon it by this Series 2001 Ordinance and the Market Agent Agreement. The Market Agent may be removed at any time by the Paying Agent, acting at the direction of (a) the City or (b) the registered owners of 66⅔% of the aggregate principal amount of the ARCs; provided, that such removal shall not take effect until the appointment of a successor Market Agent. The Market Agent may resign upon 30 days' written notice delivered to the City, the Auction Credit Issuer, and the Paying Agent. The City shall use its best efforts to appoint a successor Market Agent that is a qualified institution, effective as of the effectiveness of any such resignation or removal. Notwithstanding that the Market Agent is the agent of the Paying Agent under the Market Agent Agreement, the Paying Agent shall not be liable in any way for any action taken, suffered, or omitted, or for any error of judgment made by the Market Agent, whether in the performance of its duties under the Market Agent Agreement or otherwise.

Section 5.13. Auction Agent (a) The Bank of New York shall serve as the initial Auction Agent for the ARCs. The Bond Registrar is hereby directed to enter into an agreement with the Auction Agent, which shall provide as follows: the Auction Agent shall be (i) 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, the City of New York, and having a combined capital stock, surplus, and undivided profits of at least \$15,000,000 or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000 and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agency Agreement. The Auction Agent may resign and be discharged of the duties and obligations created by this Series 2001 Ordinance by giving at least 90 days' written notice to the City, the Auction Credit Issuer, the Bond Registrar, and the Market Agent (30 days' written notice if the Auction Agent has not been paid its fee for more than 30 days). The Auction Agent may be removed at any time by the Bond Registrar if the Auction Agent is an entity other than the Bond Registrar, acting at the direction of (i) the City or (ii) the registered owners of 66⅔% of the aggregate principal amount of the ARCs; provided that, if required by the Market Agent, an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Bond Registrar are the same entity, the Auction Agent may be removed as described above, with the City acting in lieu of the Bond Registrar.

(b) In the event that the Auction Agent shall resign or be removed or dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the City shall use its best efforts to appoint a successor as Auction Agent (which successor must be approved by the Auction Credit Issuer, providing that the Auction Credit Issuer is not then in default on its obligations under the related Credit Facility) and the Bond Registrar shall thereupon enter into an Auction Agency Agreement with such successor.



(c) The Auction Agent shall be acting as agent for the Bond Registrar in connection with Auctions. In the absence of willful misconduct or negligence on its part, the Auction Agent, whether acting directly or through its agents or attorneys, shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining the pertinent facts necessary to make such judgment.

(d) Notwithstanding that the Auction Agent is the agent of the Bond Registrar hereunder and under the Auction Agency Agreement, the Bond Registrar shall not be liable in any way for any action taken, suffered, or omitted, or for any error of judgment made by the Auction Agent, whether in the performance of its duties under the Auction Agency Agreement or otherwise, subject to Section 3.4(b) of the Auction Agency Agreement.

Section 5.14. Broker-Dealers. (a) The Auction Agent shall enter into a Broker-Dealer Agreement with UBS PaineWebber Inc., as the initial Broker-Dealer. The Market Agent may from time to time approve one or more additional persons to serve as Broker-Dealer under Broker-Dealer Agreements.

(b) Any Broker-Dealer may be removed at any time, at the request of the City, but there shall, at all times, be at least one Broker-Dealer appointed and acting as such.

Section 5.15. Changes in Auction Periods or Auction Date.

(a) Changes in Auction Period or Periods.

(i) While any of the Modal Bonds are outstanding as ARCs, the Market Agent with the written consent of the City may change, for any Tranche of ARCs, from time to time, the length of one or more Auction Periods and, in connection therewith, add additional optional redemption provisions as provided in Section 7.5 hereof and/or change Interest Payment Dates to or from Interest Payment Dates specified in the notice described below corresponding to the end of each Interest Period and Auction Period; any such change shall be considered a "change in the length of one or more Auction Periods" for the purposes of this Series 2001 Ordinance. The Market Agent shall initiate the change in the length of one or more Auction Periods by written notice to the Paying Agent, the Auction Agent, the City, and DTC in substantially the form of, or contain substantially the information set forth in, Exhibit C to this Series 2001 Ordinance at least 10 days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall not be less than seven days. No change in an Auction Period from an Auction Period of one year or less to an Auction Period of more than one year shall occur unless there shall have been delivered to the Bond Registrar a Favorable Bond Counsel's Opinion; and no change in an Auction Period from an Auction Period of more than one year to an Auction Period of one year or less shall occur unless there shall have been delivered to the Bond Registrar a Favorable Bond Counsel's Opinion.



(iii) The change in the length of one or more Auction Periods shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this Section 5.15(a) and the Auction immediately preceding the proposed change.

(iv) The change in length of one or more Auction Periods shall take effect only if (A) the Paying Agent and the Auction Agent receive, by 11:00 a.m. New York City time, on the Auction Business Day before the Auction Date for the first such Auction Period, a certificate from the Market Agent in substantially the form attached as, or containing substantially the same information contained in, Exhibit C to this Series 2001 Ordinance, authorizing the change in the length of one or more Auction Periods specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. If the condition referred to in (A) above is not met, the Applicable ARCs Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Applicable ARCs Rate for the next Auction Period shall be the Maximum ARC Rate and the Auction Period shall be the Auction Period determined without reference to the proposed change.

(b) Changes in the Auction Date. While any of the Modal Bonds are outstanding as ARCs, the Market Agent (with the consent of the City):

(i) in order to conform with then current market practice with respect to similar securities, shall; or

(ii) in order to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the ARCs and upon receipt of a Favorable Bond Counsel's Opinion, may (with respect to any Tranche of ARCs)

specify an earlier Auction Date (but in no event more than five Auction Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in Section 1.1 of this Series 2001 Ordinance with respect to one or more specified Auction Periods. The Market Agent shall provide notice of any determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least 10 days prior to the proposed changed Auction Date to the Paying Agent, the Auction Agent, the City, and DTC. Such notice shall be substantially in the form of, or contain substantially the information contained in, Exhibit D to this Series 2001 Ordinance.

(c) In connection with any change described in this Section 5.15, the Auction Agent shall provide such further notice to such parties as is specified in the Auction Agency Agreement.

(d) No change shall be made to the Auction Period or Auction Date unless the City shall have received confirmation from the Rating Agency that the rating on any of the Modal Bonds will not be adversely affected.



Section 5.16. Credit Ratings. The City shall take all reasonable action necessary to enable at least one nationally recognized statistical rating organization (as that term is used in the rules and regulations of the SEC under the Securities Exchange Act) to provide credit ratings for the ARCs.

Section 5.17. Certain Notices. (a) The Market Agent shall provide the Paying Agent, the Auction Credit Issuer, and, so long as no default under the Bond Ordinance has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by DTC, the Auction Agent with notice of any change in the Statutory Corporate Tax Rate.

(b) The City shall use its best efforts to provide the Paying Agent, the Auction Credit Issuer, and, so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by DTC, the Auction Agent with notice of any change in the Legal Maximum Rate.

Section 5.18. Purchases of ARCs. The City shall not purchase or otherwise acquire ARCs unless the City redeems or otherwise cancels such ARCs on the day of any purchase.

Section 5.19. Notice of Payment Default. (a) If the City determines that a Payment Default has occurred, the City shall promptly notify the Paying Agent thereof.

(b) So long as the ownership of the ARCs is maintained in book-entry form by DTC, upon the occurrence of a Payment Default, the Paying Agent shall immediately send a notice thereof to the Auction Agent and the Market Agent by telecopy or similar means.

(c) So long as the ownership of the ARCs is maintained in book-entry form by DTC, the Paying Agent shall immediately send notice to the Auction Agent by telecopy or similar means if a Payment Default is cured.

Section 5.20. Selection of Initial Mode as Auction Rate Mode; Conversions from Variable Rate Bonds to ARCs. In connection with (1) the selection of an Initial Mode as the Auction Rate Mode or (2) the conversion of any Variable Rate Bonds to a Tranche of ARCs, the Finance Officer shall include in the Schedule of Terms for Modal Bonds or the Mode Change Notice, as the case may be, with respect thereto:

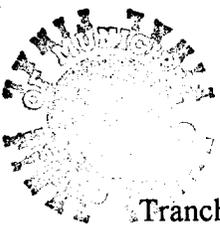
(a) the Initial Auction Date, the Initial Auction Period, the Initial Interest Payment Date, and the Initial Interest Period for each Tranche;

(b) the interest rate applicable to the ARCs of each Tranche during the Initial Interest Period;

(c) additional optional redemption dates and redemption prices applicable to the ARCs of each Tranche as provided in Section 7.5(a) hereof;

(d) the mandatory redemption dates, amounts, and prices for the ARCs of each Tranche as provided in Section 7.5(b) hereof; and

(e) such other matters as the Finance Officer deems necessary or appropriate and not inconsistent with the Bond Ordinance.

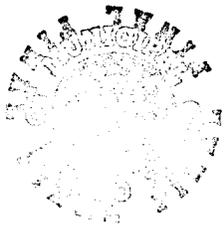


Section 5.21. Termination or Suspension of Auction Procedures. With respect to a Tranche of ARCs, Auction Procedures may be terminated or suspended only if:

- (a) the Auction Period with respect to such Tranche has been changed pursuant to Section 5.15 hereof so that the then current Auction Period extends to the final maturity date of the ARCs of such Tranche; or
- (b) as provided in the first paragraph of Section 5.5 hereof.

If the City has failed to pay any fees owing to the Auction Agent or the Broker-Dealer with respect to the ARCs of such Tranche, the Broker-Dealer or the Auction Agent shall give written notice thereof to the Auction Credit Issuer and allow the Auction Credit Issuer 45 days after delivery of such notice to cure such failure, during which time Auction Procedures shall not be suspended or terminated.

[End of Article V]



ARTICLE VI

MODES AND PERIODS

Section 6.1. Modes. (a) Modes That Can or Cannot be Changed.

(1) The Mode of a Modal Fixed Rate Bond and an Auction Rate Bond cannot be changed.

(2) The Mode of any Variable Rate Bond, including a Variable Rate Bond that has been defeased, may be changed subject to the following limitations:

(i) the Mode of a Variable Rate Bond may not be changed to the Flexible Rate Mode unless the Mode of all outstanding Variable Rate Bonds is changed to the Flexible Rate Mode on the same Mode Change Date; and

(ii) the Mode of a Flexible Rate Bond may not be changed unless the Mode of all outstanding Flexible Rate Bonds is changed on the same Mode Change Date.

(3) Although the Mode of a Term Rate Bond or a Flexible Rate Bond may be changed, it may be changed only at the end of a Period.

(b) When Change Permitted.

(1) The Mode of a Daily Rate Bond or a Weekly Rate Bond may be changed on any Modal Business Day.

(2) The Mode of a Flexible Rate Bond may be changed only on the last day of the Flexible Rate Period.

(3) The Mode of a Term Rate Bond may be changed only on the last day of the Term Rate Period.

(c) How Changed.

(1) The Finance Officer may change a Variable Rate Bond from one Mode to another pursuant to a Mode Change Notice, but such change shall become effective only as provided in Section 6.8 hereof.

(2) Once the Mode of a Variable Rate Bond is changed to the Modal Fixed Rate Mode or the Auction Rate Mode, such Bond is no longer a Variable Rate Bond.

(d) Period Changes Not Mode Changes. Once a Term Rate Mode or a Flexible Rate Mode becomes effective, giving effect to one or more successive Periods for such Mode is not a Mode change.

Section 6.2. Duration of Modes. Once a Mode is in effect for a Modal Bond, that Mode continues in effect until another Mode takes effect in accordance with Section 6.8 hereof.



Section 6.3. Length of Flexible Rate Periods. (a) The length of each Flexible Rate Period is determined by the Remarketing Agent in connection with the marketing or remarketing of the respective Flexible Rate Bond as provided in Section 4.2 hereof.

(b) Unless the Mode is changed, a new Flexible Rate Period shall commence on the last day of the current Flexible Rate Period.

(c) If a Rate Suspension Event prevents the Remarketing Agent from determining a Flexible Rate Period for any Flexible Rate Bond, then the first Flexible Rate Period shall begin on the day the Remarketing Agent would have otherwise determined such Flexible Rate Period and shall end on the immediately following Interest Adjustment Date for Weekly Rate Bonds and each Flexible Rate Period thereafter shall begin and end on successive Interest Adjustment Dates for Weekly Rate Bonds until the Rate Suspension Event is no longer continuing.

Section 6.4. Limitations on Length of Flexible Rate Periods. (a) The Remarketing Agent will comply with the following limitations in establishing the Flexible Rate Period for each Flexible Rate Bond.

- (1) The Period shall begin and end on Modal Business Days.
- (2) The Period shall not be longer than the least of:
 - (i) the Maximum Permitted Period, as defined in subsection (b);
 - (ii) 365 calendar days;
 - (iii) the stated maturity of the Flexible Rate Bond; and
 - (iv) unless such Flexible Rate Bond is to be an Excluded Bond, the last Modal Business Day occurring not less than five days before the Expiry Date for the then current Credit Facility or Facilities.



(b) **“Maximum Permitted Period”** means the number of days equal to:

$$\frac{\text{MMR} \times \text{Days}}{\text{Rate}}$$

Where:

- MMR = The Modal Maximum Rate, which on the date of this Series 2001 Ordinance is 12%.
- Days = The number of days on which was based the interest component of the Series 2001B&C Liquidity Facility.
- Rate = The rate for the new Flexible Rate Period.

Section 6.5. Length of Term Rate Periods. (a) The length of each Term Rate Period shall be determined by the Finance Officer in his/her notice to the Remarketing Agent.

(1) The length of the initial Term Rate Period shall be set forth in the Mode Change Notice electing a change to the Term Rate Mode.

(2) The length of each successive Term Rate Period shall be set forth in a notice of the Finance Officer delivered to the Remarketing Agent, and such notice shall be delivered not less than five Modal Business Days before the last day of the current Term Rate Period. Section 6.7 hereof provides for the action to be taken if the Finance Officer does not give such notice.

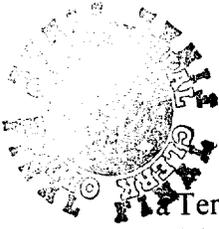
(3) The Finance Officer shall promptly provide the Paying Agent and the Tender Agent with a copy of each notice setting the length of a Term Rate Period.

(b) Unless the Mode is changed, a new Term Rate Period shall commence on the last day of the current Term Rate Period.

(c) If a Rate Suspension Event prevents the Remarketing Agent from giving effect to a successive Term Rate Period elected by the Finance Officer, then the Finance Officer may elect any other Mode not subject to such Rate Suspension Event.

(1) If the Finance Officer elects to make a Mode change, notice of the election shall be given in accordance with Section 6.10 hereof in time to effect the Mode change on the last day of the then current Term Rate Period; provided that, any Notice Party may waive any notice requirements with respect to notices to be given to it. The conditions to a Mode change contained in Section 6.9 hereof are applicable.

(2) If the Finance Officer does not elect to make a Mode change or cannot meet the requirements of paragraph (1) above, then the current Term Rate Period of such affected Variable Rate Bond shall be extended for successive Interest Payment Dates until the Rate Suspension Event is no longer continuing.



CORRECTED COPY

Section 6.6. Limitations on Length of a Term Rate Period. In determining the length of a Term Rate Period the Finance Officer is subject to the following limitations. If a Term Rate Period of the minimum length cannot meet the limitations set forth below then the Finance Officer cannot elect a Term Rate Period.

(1) A Term Rate Period must include at least two Interest Payment Dates, the first of which must be at least 30 days after the Mode Change Date.

(2) The length of every Term Rate Period is subject to the following rules regarding Rating Confirmations.

(i) No Term Rate Period may be longer than the immediately preceding Term Rate Period without a Rating Confirmation in respect of the new Term Rate Period.

(ii) If there is no immediately preceding Term Rate Period then a Rating Confirmation shall be obtained and the length of the new Term Rate Period cannot exceed the length permitted by such Rating Confirmation.

(3) A Term Rate Period must begin on a Modal Business Day and must end on an Interest Payment Date that is either a Modal Business Day or the Interest Payment Date that is the stated maturity date of the Term Rate Bond. The second Interest Payment Date in a Term Rate Period may be the Interest Payment Date on which the Term Rate Period ends.

(4) No Term Rate Period may extend beyond the earlier of:

(i) the stated maturity of the Term Rate Bond, and

(ii) unless such Term Rate Bond is to be an Excluded Bond, the Expiry Date for the required Credit Facility or Facilities.

Section 6.7. Finance Officer Fails to Elect New Term Rate Period. If the Finance Officer has not provided notice in accordance with Section 6.5 hereof by the fifth Modal Business Day before the end of the current Term Rate Period, then the Term Rate Period and the Term Rate shall be determined as if a Rate Suspension Event had occurred.

Section 6.8. Effectiveness of Modes. (a) Conditions to Effectiveness.

(1) The Initial Mode of each Series of Modal Bonds is effective on and as of the Closing Date for that Series without any further act.

(2) Other than the Initial Mode, no Mode shall become effective unless the conditions precedent to the change to such Mode are met on the Mode Change Date.

(3) The Mode change from a Variable Rate Mode to an Auction Rate Mode shall not become effective unless the conditions established by the applicable section of Article V hereof are met.



(4) Any Mode may become effective for all or some Modal Bonds if, upon giving effect to the Mode change, the denominations of all Modal Bonds are Authorized Denominations for the respective Modes.

(b) When Effective. A change in Mode becomes effective only on a Modal Business Day on which a change is permitted under Section 6.1 hereof for the particular Mode then in effect and takes effect on the Modal Business Day when changed.

Section 6.9. Conditions Precedent to Mode Change. (a) All Mode Changes. It is a condition precedent to a Mode change that there shall be delivered to the Tender Agent, and the Tender Agent shall hold on the Mode Change Date:

(1) a Favorable Bond Counsel's Opinion, addressed to the Notice Parties;

(2) either moneys sufficient to pay the Purchase Price of all affected Modal Bonds plus interest accrued to the Mode Change Date, so as to be available for such payment or a Credit Facility providing liquidity support with sufficient capacity to permit such amount to be drawn thereunder and under which no condition exists that would prohibit such draw; and

(3) a Rating Confirmation for all Modal Bonds not affected by the Mode change if:

(i) the Mode change involves less than all outstanding Modal Bonds, and

(ii) the Modal Bonds affected by the Mode change will become Excluded Bonds.

(b) Change to the Auction Rate Mode. It is a condition precedent to a Mode change to the Auction Rate Mode that there shall be delivered to the Tender Agent, and the Tender Agent shall hold on the Mode Change Date evidence that:

(1) the conditions established by the applicable section of Article V hereof must be satisfied, and

(2) the Auction Credit Issuer has consented to the Mode change.

(c) Change Permitted by Section 3.2. It is a condition precedent to a Mode change, including any change permitted by Section 3.2, that there shall be delivered to the Tender Agent, and the Tender Agent shall hold on the Mode Change Date:

(1) evidence of the satisfaction of the requirements of Section 3.2(b) hereof, and

(2) a Favorable Bond Counsel's Opinion with respect to such changes.



(d) If Subject of a Credit Facility. It is a condition precedent to a Mode change of any Variable Rate Bond not an Excluded Bond, that there shall be delivered to the Tender Agent, and the Tender Agent shall hold on the Mode Change Date:

(1) every required Conforming Credit Facility for such Variable Rate Bonds determined as if the Mode change to be made had become effective; and

(2) a Rating Confirmation if the amount of interest coverage required by Section 11.2 hereof to be provided by any required Credit Facility increases from the amount required for the Mode from which the change is to be made.

(e) If Defeased. It is a condition precedent to a Mode change of any Variable Rate Bond that has been defeased that there be delivered to the Tender Agent, and the Tender Agent shall hold on the Mode Change Date:

(1) a Rating Confirmation with respect to such Modal Bonds, and

(2) if required by any Rating Agency providing a Rating Confirmation, a verification report or other evidence of the adequacy of the escrow in respect of such defeasance.

(f) Reliance by Tender Agent. The Tender Agent is entitled to rely on a certificate of the Finance Officer that the items delivered to it pursuant to this Section conform to the above requirements.

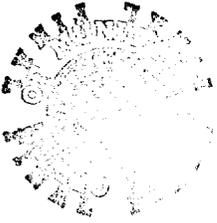
Section 6.10. Election of Mode Change; How Effected; Irrevocability. (a) Who May Elect. The Finance Officer may elect at any time and from time to time to change the Mode of any Variable Rate Bond.

(b) How Election Effected. In order to evidence the election of the Finance Officer, and for his/her election to be effective, the Finance Officer shall deliver to the Tender Agent, with copies to each of the other Notice Parties, not later than, for the proposed Mode Change Date, the minimum number of days required by Section 8.2 hereof for notices given in connection with mandatory tenders plus 15 days (or such fewer days in advance of such minimum number as may be acceptable to the other Notice Parties):

(1) a Mode Change Notice signed by the Finance Officer, and

(2) the items required by Section 6.9 hereof to be held by the Tender Agent on the Mode Change Date except that:

(i) any otherwise required Conforming Credit Facility is not required if the current Credit Facility will be a Conforming Credit Facility after giving effect to the Mode change;



(ii) if any Conforming Credit Facility is required, the Finance Officer may satisfy the requirement with a commitment of a bank or other financial institution to provide such Conforming Credit Facility not later than the Mode Change Date, and, in such situation, the Rating Confirmation may be indicative or contingent; and

(iii) moneys in respect of the Purchase Price are not required.

(c) Irrevocable. The election shall be effective upon receipt by the Tender Agent of the foregoing and shall be irrevocable.

Section 6.11. Selection of Variable Rate Bonds. (a) Whenever a Mode change is to be effective for less than all outstanding Variable Rate Bonds of a Series, the Finance Officer may select or direct the Tender Agent to select the Variable Rate Bonds of that Series to be affected by whatever means or manner that the Finance Officer determines to be in the best interests of the City.

(b) If a Credit Issuer has requested the Finance Officer to select Pledged Series 2001 Bonds held by such Credit Issuer for a Mode change in order to facilitate the remarketing of such Pledged Series 2001 Bonds, then the Finance Officer shall direct that such Pledged Series 2001 Bonds shall be selected before any other Modal Bonds are selected for such Mode change.

(c) The provisions of this Section are subject to the selection procedures, if any, of DTC.

Section 6.12. Contents of Mode Change Notice. The notice of the Finance Officer to elect a Mode change shall set forth:

(1) the new Mode;

(2) the Mode Change Date, which shall comply with Section 6.1(b) hereof;

(3) if the new Mode is to apply to less than all of the outstanding Variable Rate Bonds, the means by which such Variable Rate Bonds are to be selected in accordance with Section 6.11 hereof;

(4) such matters that may be included pursuant to Section 3.2 hereof as the Finance Officer may elect to include;

(5) if the new Mode is a Term Rate Mode, the number of Stated Interest Payment Dates in the related Term Rate Period subject to Section 6.6 hereof;

(6) if the new Mode is an Auction Rate Mode, such matters as are required to be included by Article V hereof;

(7) if any of the Modal Bonds resulting from the Mode change are to be Excluded Bonds (or either Excluded Credit Support Bonds or Excluded Liquidity Support Bonds), a statement that the Finance Officer will terminate the relevant Credit Facility or Facilities with respect to such Modal Bonds on behalf of the City;



(8) unless the Modal Bonds resulting from the Mode change will be Excluded Bonds, the amount, each separately stated, of principal (and premium, if any) and interest required to be covered pursuant to Section 11.2 hereof, determined as if the Mode described in such notice were in effect and taking into account any changes contained in such notice pursuant to Section 3.2 hereof, and calculated in sufficient detail to permit the Tender Agent to verify the arithmetical accuracy thereof;

(9) a statement that:

(i) each Credit Facility required by Section 11.1 hereof and then held by the Tender Agent is a Conforming Credit Facility with respect to the new Mode, or

(ii) accompanying the notice is the commitment of a bank or other financial institution to issue a required Credit Facility that will:

(A) be a Conforming Credit Facility, and

(B) be effective as of the Mode Change Date specified in the notice; and

(10) such matters deemed necessary or appropriate by the Finance Officer.

Section 6.13. Notice to Variable Rate Modal Bondholders and Credit Issuers Holding Pledged Series 2001 Bonds. (a) Whenever the Tender Agent receives a Mode Change Notice, the Tender Agent shall give the notice of mandatory tender required by Section 8.2 hereof to the Modal Holders of the Variable Rate Bonds to be affected by the Mode change, and if any Pledged Series 2001 Bonds are Outstanding, to the related Credit Issuer.

(b) Such notice shall be given in advance of the Mode Change Date specified in such Mode Change Notice by at least the minimum number of days required by Section 8.2 hereof; provided that, a Credit Issuer owning Pledged Series 2001 Bonds shall always be given at least five Modal Business Days' notice.

[End of Article VI]



ARTICLE VII

REDEMPTION OF SERIES 2001 BONDS

Section 7.1. **Optional and Mandatory Redemption of Series 2001A Bonds.** (a) The Series 2001A Bonds maturing on or before November 1, 2011, and on November 1, 2027, may not be called for optional redemption prior to maturity. The Series 2001A Bonds maturing on or after November 1, 2013 (except for the Series 2001A Bonds maturing on November 1, 2027), are subject to redemption prior to maturity at the option of the City on or after May 1, 2012, in whole at any time or in part on any Interest Payment Date, at the redemption price of 100% of the principal amount thereof plus accrued interest on such redemption date.

(b) In addition, the Series 2001A Bonds that are Term Bonds are subject to mandatory redemption prior to maturity on November 1 of the years, in the amounts, and at the prices provided below.

As and for a sinking fund for the retirement prior to maturity of the Series 2001A Bonds, there shall be deposited in the Principal Subaccount from the Revenue Fund an amount sufficient to redeem the following principal amounts of the Series 2001A Bonds maturing on November 1, 2027, November 1, 2033, and November 1, 2039, on the dates (each such date being referred to as a "mandatory redemption date") specified:

Series 2001A Bonds Maturing November 1, 2027

<u>November 1 of the Year</u>	<u>Principal Amount</u>
2023	\$15,575,000
2024	16,035,000
2025	17,105,000
2026	17,605,000
2027+	18,735,000

+ Final Maturity

Series 2001A Bonds Maturing November 1, 2033

<u>November 1 of the Year</u>	<u>Principal Amount</u>
2028	\$19,625,000
2029	20,145,000
2030	21,295,000
2031	21,890,000
2032	23,120,000
2033+	23,775,000

+ Final Maturity



Series 2001A Bonds Maturing November 1, 2039

<u>November 1 of the Year</u>	<u>Principal Amount</u>
2034	\$25,075,000
2035	25,815,000
2036	27,210,000
2037	28,340,000
2038	29,210,000
2039+	60,770,000

+ Final Maturity

The City shall redeem such an aggregate principal amount of the Series 2001A Bonds at a redemption price equal to the principal amount thereof plus the interest due thereon to the mandatory redemption date.

Section 7.2. Optional Redemption - Short-Term and Term Rate Bonds. (a) Short-Term Bonds.

(1) Daily and Weekly Rate Bonds. Daily Rate Bonds and Weekly Rate Bonds are subject to redemption upon notice given as required in the Master Ordinance in whole or in part on any Modal Business Day at the option of the City at a redemption price of 100% of the principal amount thereof to be redeemed plus interest accrued to the redemption date.

(2) Flexible Rate Bonds. Flexible Rate Bonds are subject to redemption upon notice given as required in the Master Ordinance in whole or in part on any Interest Payment Date at the option of the City at a redemption price of 100% of the principal amount thereof to be redeemed plus interest accrued to the redemption date.

(b) Term Rate Bonds. Term Rate Bonds are subject to redemption upon notice given as required in the Master Ordinance in whole or in part on any Interest Payment Date at the option of the City at a redemption price of 100% of the principal amount thereof to be redeemed plus interest accrued to the redemption date; provided that the first such Interest Payment Date on which any Term Rate Bonds are subject to redemption shall not be less than 5 calendar months after the calendar month in which occurred the Mode Change Date on which the Mode of such Term Rate Bonds was changed to the Term Rate Mode.

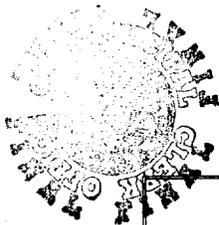
(c) Preference to Pledged Series 2001 Bonds. If any Pledged Series 2001 Bonds of a Series are outstanding, the City shall not exercise its option to redeem Variable Rate Bonds of the same Series unless the City offers to redeem a corresponding principal amount of such Pledged Series 2001 Bonds at a price of the principal amount thereof plus interest accrued at the Pledged Bond Rate to the date of redemption and if such offer is accepted, so redeems such Pledged Series 2001 Bonds on or before the redemption date of such Variable Rate Bonds.



Section 7.3. Optional Redemption - Modal Fixed Rate Bonds. Unless changed pursuant to Section 3.2 hereof, Modal Fixed Rate Bonds are subject to redemption upon notice given as required in the Master Ordinance in whole on any date or in part on any Interest Payment Date at the option of the City at the redemption prices set forth below (expressed as a percentage of the principal amount thereof to be redeemed) for the applicable remaining term and anniversary date of the Mode Change Date, plus interest accrued to the redemption date.

Remaining Term	Interest Payment Date Anniversary after Mode Change Date	Redemption Price
More than 15 years	10th	101 %
	11th	100½
	12th and thereafter	100

Remaining Term	Anniversary of Interest Payment Date Following Mode Change Date	Redemption Price
More than 10 years but not more than 15 years	7th	101 %
	8th	100½
	9th and thereafter	100



CORRECTED COPY

Remaining Term	Anniversary of Interest Payment Date Following Mode Change Date	Redemption Price
More than 5 years but not more than 10 years	3rd	101 %
	4th	100½
	5th and thereafter	100

Remaining Term	Anniversary of Interest Payment Date Following Mode Change Date	Redemption Price
5 years or fewer years	2nd	100%

Section 7.4. Limitation on Optional Redemption. The City shall not exercise its option to redeem any Modal Bonds unless (i) at the time it instructs the Bond Registrar to give notice of such redemption it has sufficient funds available to pay the redemption price of such Modal Bonds plus interest accrued to the redemption date or (ii) it instructs the Bond Registrar to make such redemption conditioned on the availability of such funds on the redemption date.

Section 7.5. Redemption of ARCs. (a) Optional Redemption. The ARCs of each Tranche shall be subject to redemption at the option of the City, in whole or in part in Authorized Denominations, at a redemption price of par plus accrued interest to the date of redemption on:

- (i) the final Interest Payment Date of the Initial Interest Period; and
- (ii) the Auction Business Day following the last day of each Auction Period.

In the event the Auction Period for the ARCs of any Tranche is changed pursuant to Section 5.15 of this Series 2001 Ordinance, the Market Agent may, with the consent of the City and upon receipt of a Favorable Bond Counsel’s Opinion in connection therewith, add additional optional redemption provisions allowing for the optional redemption of ARCs during any Auction Period at prices not exceeding 102% of the principal amount of ARCs redeemed. In connection with the conversion of any Tranche of Variable Rate Bonds to a Tranche of ARCs hereunder, the Finance Officer may specify optional redemption provisions in addition to the provisions specified above with the prior written consent of the Market Agent.

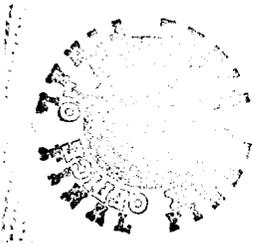
(b) Sinking Fund Redemption. In connection with the conversion of Variable Rate Bonds to the Auction Rate Mode, the Finance Officer may change the mandatory redemption dates, amounts, and prices with respect to any such Tranche in compliance with and subject to the limitations set forth in this Series 2001 Ordinance.



Section 7.6. Sinking Fund Redemption of Modal Bonds. The Modal Bonds that are Term Bonds will be subject to mandatory redemption at par in the amounts and on the dates as provided in the Schedule of Terms for Modal Bonds.

Section 7.7. Special Mandatory Redemption of Pledged Series 2001 Bonds. Any Pledged Series 2001 Bonds shall be subject to special mandatory redemption prior to maturity, in whole or in part (and if in part in an Authorized Denomination) on any Modal Business Day at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date, on the dates and in the amounts specified in the related Credit Facility Agreement.

[End of Article VII]



ARTICLE VIII

RIGHT OF OPTIONAL TENDER AND MANDATORY TENDER EVENTS

Section 8.1. Tender at Option of Modal Holder. (a) Subject to Section 8.4 hereof, Daily Rate Bonds and Weekly Rate Bonds are subject to tender at the option of the Modal Holder on any Modal Business Day at the Purchase Price of 100% of the principal amount thereof, plus interest accrued to the Purchase Date, upon notice given by the Modal Holder as provided in this Section.

(1) In order to exercise its option to tender Daily Rate Bonds, the Modal Holder shall give an irrevocable tender notice to the Remarketing Agent and the Tender Agent by Electronic Means no later than 11:00 a.m. on the Purchase Date specified in such notice, which may be the same Modal Business Day on which the notice is given.

(2) In order to exercise its option to tender Weekly Rate Bonds, the Modal Holder shall give an irrevocable tender notice to the Remarketing Agent and the Tender Agent by Electronic Means no later than 4:00 p.m. not less than seven days before the Purchase Date specified in such notice.

(b) Tender notices given pursuant to this Section shall specify the CUSIP number of the Bond (or portion thereof) to be tendered and otherwise identify such Bond to the satisfaction of the Tender Agent, and shall also specify the principal amount of such Bond being tendered (which shall be an Authorized Denomination) and shall state in effect that:

(1) such Bond (or portion thereof) shall be purchased on the Purchase Date specified therein at 100% of the principal amount thereof, plus interest accrued to the Purchase Date,

(2) the Bonds specified in the tender notice are all the Bonds of such Tranche held by the Modal Holder or if less than all of such Bonds, that after giving effect to such tender, the remaining Bonds of such Tranche held by such Modal Holder are in one or more Authorized Denominations for the Mode of such Bonds, and

(3) such notice is irrevocable.

Section 8.2. Mandatory Tender Events. (a) Each Variable Rate Bond affected by any of the following enumerated events shall be subject to mandatory tender on the Purchase Date set opposite the respective event upon such notice as is required to be given, all as set forth in the following table, at the Purchase Price of 100% of the principal amount thereof, plus interest accrued to the Purchase Date.

Event	Purchase Date	Tender Notice Required
End of Flexible Rate Period	Day on which the Period ends	No
End of Term Rate Period	Day on which the Period ends	Yes, at least 15 days' notice
Mode Change	Mode Change Date	Yes, at least 15 days' notice
Occurrence of Last Put Termination Event	As provided in Section 11.7 hereof	As provided in Section 11.7 hereof
Occurrence of Expiry Date, if required by Section 8.3 hereof	The last Modal Business Day to occur not less than 5 days before the Expiry Date	Yes, at least 15 days' notice
New Credit Issuer	As provided in subsection (b) below	Yes, at least 15 days' notice

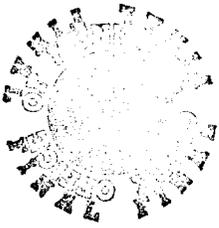
(b) The Purchase Date in connection with a new Credit Issuer of a Credit Facility shall be a Modal Business Day at least 5 days before the sooner to occur of (i) the effective date of such Credit Facility and (ii) the Expiry Date of the Predecessor Credit Facility.

Section 8.3. Mandatory Tender on Expiry Date. (a) Except as otherwise provided in this Section, if the Tender Agent has not accepted a Conforming Credit Facility in accordance with Section 11.4 hereof to replace an expiring Credit Facility on or before the 20th day before the Expiry Date of such Credit Facility, then the Tender Agent shall give notice to the Modal Holders of all Modal Bonds subject to such Credit Facility that their Modal Bonds are subject to mandatory tender on the Purchase Date specified in such notice. Such notice shall be given and such Purchase Date shall be specified in such notice as provided in Section 8.2 hereof.

(b) Subsection (a) above is not applicable with respect to an expiring Credit Facility if the City has given the Tender Agent the commitment of the Credit Issuer of such Credit Facility as provided in the below paragraphs.

(1) The commitment is to provide a Conforming Credit Facility on or before the Expiry Date of such Credit Facility.

(2) The commitment expressly states that it is unconditional and irrevocable.



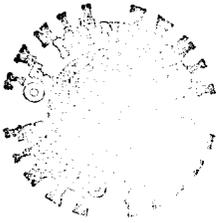
(3) Such commitment is given to the Tender Agent at least 20 days before the Expiry Date of such Credit Facility.

(c) Subsection (a) above is not applicable with respect to an expiring Credit Facility if notice is given in accordance with Section 11.5 hereof on or before the last day that notice would be otherwise required to be given by Section 8.2 hereof with respect to such expiring Credit Facility, and such notice states that all of the Modal Bonds subject to such Credit Facility are intended to become Excluded Bonds.

Section 8.4. Suspension of Optional Tender Rights. (a) For the purposes of this Section, a “**Suspension Period**” commences with respect to a Credit Facility providing liquidity support and the Modal Bonds that have the benefit of such Credit Facility (the “**Affected Bonds**”) upon (i) the occurrence of an Immediate Termination Event under such Credit Facility or (ii) the occurrence of a suspension of such Credit Facility by reason of an act, omission, or condition affecting the Credit Issuer of the correlative Credit Facility providing credit support (either (i) or (ii), a “**Credit Support Event**”).

(b) During a Suspension Period, (i) the right of a Modal Bondholder to tender Affected Bonds pursuant to Section 8.1 hereof shall be suspended and (ii) the interest rate or rates for the Affected Bonds shall be determined as if the Credit Support Event were a Rate Suspension Event except that two percent per annum shall be added to the applicable rate for Affected Bonds in any Short-Term Mode.

[End of Article VIII]



ARTICLE IX

TENDER AND PURCHASE OF MODAL BONDS

Section 9.1. Notice of Mandatory Tender. (a) Whenever notice is required by Section 8.2 hereof to effect a mandatory tender on a Purchase Date, the Tender Agent shall give such notice at least the required number of days in advance of such Purchase Date.

(b) The notice of mandatory tender shall:

(1) in substance specify:

(i) the event giving rise to the mandatory tender;

(ii) the Purchase Date; and

(iii) the Modal Bonds subject to mandatory tender identified in such manner as is deemed reasonable by the Tender Agent under the circumstances; and

(2) state in effect that:

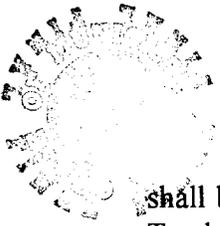
(i) the identified Modal Bonds are subject to mandatory tender on such Purchase Date and in order to receive payment of the Purchase Price on the Purchase Date, such Modal Holder shall transfer its Modal Bonds to the Tender Agent with all necessary endorsements on or before 12:00 noon on the Purchase Date;

(ii) such Modal Bonds are deemed tendered on the Purchase Date irrespective of any actual transfer to the Tender Agent and shall cease to bear interest on and after the Purchase Date; and

(iii) transfers of such Modal Bonds may be made after the Purchase Date to the Tender Agent but no interest shall be paid for any period on and after the Purchase Date.

(c) Such notice may contain such additional information as the Tender Agent believes to be necessary or appropriate.

(d) The failure to properly give notice to any Modal Holder of Modal Bonds subject to mandatory tender and entitled hereunder to notice shall not affect the validity of any other mandatory tender as to which notice, if required to be given, was properly given.



Section 9.2. Interest to No Longer Accrue. The Purchase Price of each Tender Bond shall become due and payable on its respective Purchase Date, and if on such Purchase Date the Tender Agent holds amounts sufficient to pay such Purchase Price, then interest on such Tender Bond shall cease to accrue; otherwise, such Tender Bond shall continue to bear interest as if it had not been subject to purchase on such Purchase Date.

Section 9.3. Remarketing of Pledged Series 2001 Bonds. (a) “**Predecessor Tender Bond**” means, as to any particular Pledged Series 2001 Bond, the Tender Bond purchased by the Credit Issuer as a result of the failed remarketing of such Tender Bond.

(b) Pledged Series 2001 Bonds shall be remarketed by the Remarketing Agent in the same Mode as the Predecessor Tender Bonds unless a different Mode has become or will become effective in accordance with Article VI hereof.

(c) The Finance Officer shall take such steps as are necessary in sufficient time before the Purchase Date of each Pledged Series 2001 Bond so that such Pledged Series 2001 Bond will have the benefit of the Credit Facility of the Credit Issuer owning the Pledged Series 2001 Bond upon the delivery to the purchasers thereof.

(d) No Credit Issuer is under any obligation to transfer its Pledged Series 2001 Bonds to the Remarketing Agent in connection with a remarketing of the Pledged Series 2001 Bonds except on a “delivery against payment” basis.

Section 9.4. Remarketing by Remarketing Agent; Priority to Pledged Series 2001 Bonds. (a) The Remarketing Agent shall offer for sale and use its best efforts to sell on each Purchase Date all Tender Bonds and all Pledged Series 2001 Bonds that will have the benefit of the Credit Facility providing liquidity support of the Credit Issuer owning the Pledged Series 2001 Bonds upon the delivery to the purchasers thereof.

(b) The Remarketing Agent shall remarket all Pledged Series 2001 Bonds before remarketing any Tender Bonds.

(c) The Remarketing Agent shall not sell any Tender Bonds or Pledged Series 2001 Bonds at a discount from the principal amount thereof.

(d) The Remarketing Agent shall give notice to each Credit Issuer providing liquidity support on the Modal Business Day preceding each Purchase Date of any Tender Bonds (other than Daily Rate Bonds) not remarketed.

Section 9.5. Draw Information to be Provided by Remarketing Agent; Transfer of Amounts. On each Purchase Date for Tender Bonds of any particular Series, the Remarketing Agent shall inform the Tender Agent, on or before the time specified by the Tender Agent as the time necessary to permit a timely draw under the related Credit Facility providing liquidity support, of the amount received by the Remarketing Agent as the purchase price of remarketed Tender Bonds as of such time.



Section 9.6. Draws on Credit Facility Providing Liquidity Support. (a) On each Purchase Date for Tender Bonds of any particular Series, the Tender Agent shall draw on the related Credit Facility providing liquidity support, in accordance with its terms and to the extent of the availability of amounts thereunder in sufficient time to have amounts available to the credit of the Remarketing Fund established for such Series on the day of the draw. The terms of such Credit Facility shall control the time at which the draw is to be made.

(b) The amount of such draw, to the extent of the availability under such Credit Facility, shall equal the Purchase Price of all such Tender Bonds less the amount received by the Tender Agent as the purchase price of such Tender Bonds that have been remarketed before the drawing. All Tender Bonds for which the Tender Agent has not received the purchase price in respect of the remarketing by the time the Tender Agent reasonably believes it must draw to comply with subsection (a) above, shall be deemed to have not been remarketed for the purposes of drawing under the related Credit Facility providing liquidity support.

(c) The Tender Agent shall not draw to pay the Purchase Price of any Pledged Series 2001 Bonds or any Modal Bonds owned by or held for the benefit of the City.

Section 9.7. City Not Obligated to Pay Purchase Price. The Purchase Price is payable solely from amounts made available under any Credit Facility providing liquidity support and none of the City, the Paying Agent, the Tender Agent, the Remarketing Agent, or any Credit Issuer providing only credit support is obligated to provide funds for the payment of any Purchase Price.

Section 9.8. Payment of Purchase Price. Upon the transfer of a Tender Bond to the Tender Agent with all necessary endorsements, the Tender Agent shall pay the Purchase Price to the Modal Holder of such Tender Bond:

- (1) no later than the close of business on the Modal Business Day of transfer (but not before the Purchase Date) if such Tender Bond is transferred at or before 3:00 p.m., and
- (2) no later than the close of business on the Modal Business Day following the Modal Business Day of transfer (but not before the Purchase Date) if such Tender Bond is transferred after 3:00 p.m.

Section 9.9. Tender of Less than all of Variable Rate Bond. If less than all of a Modal Holder's Variable Rate Bond is subject to mandatory tender or is tendered to the Tender Agent as an optional tender permitted hereunder, then upon the transfer of such Variable Rate Bond in whole to the Tender Agent, the City shall execute (if not already executed) and the Tender Agent shall authenticate and deliver to such Modal Holder, on the day of transfer, a Variable Rate Bond or Bonds, registered in the name of such Modal Holder, of the same tenor and in such Authorized Denominations as specified by such Modal Holder as shall equal, in the aggregate, the balance of such Modal Holder's Variable Rate Bond.



Section 9.10. Notification and Delivery of Remarketed Tender Bonds. (a) Not later than 12:30 p.m. on the Purchase Date, the Remarketing Agent shall notify the Tender Agent and the Bond Registrar of the principal amount of Tender Bonds and Pledged Series 2001 Bonds successfully remarketed and such information as is appropriate to comply with current securities industry practices applicable to the transfer of securities of the same character, and owned in the manner, as the Modal Bonds to be transferred to the purchasers of such Modal Bonds.

(b) The City shall execute (to the extent not already executed) and the Tender Agent shall authenticate an aggregate principal amount of Modal Bonds necessary to comply with the instructions of the Remarketing Agent even though not all Tender Bonds or Pledged Series 2001 Bonds have been tendered on the Purchase Date; provided that no Pledged Series 2001 Bonds shall be authenticated by the Tender Agent unless such Pledged Series 2001 Bonds have the benefit of the correlative Credit Facility providing liquidity support.

(1) Such Modal Bonds shall be in such Authorized Denominations and registered by the Tender Agent as registrar in such names as shall be instructed by the Remarketing Agent (but not in excess of the aggregate principal amount of Tender Bonds and Pledged Series 2001 Bonds) and shall be authenticated as the appropriate Modal Bonds and made available for delivery to the Remarketing Agent no later than 1:30 p.m. on the Purchase Date.

(2) To the extent that any Modal Bonds required to be executed and authenticated by this Section are to be held in the book-entry only system maintained by DTC, then the Tender Agent shall comply with the procedures of DTC applicable to tender bonds and the transfer of interests in bonds, and no delivery of such Modal Bonds in certificated form is required.

Section 9.11. Actions on Purchase Date. (a) Definitions.

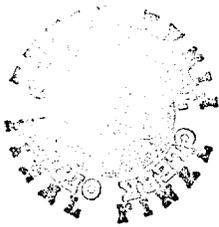
(1) “**City’s Portion**” means, as to a Pledged Series 2001 Bond remarketed by the Remarketing Agent on a Purchase Date, an amount equal to the difference between (i) the Credit Issuer’s Remarketing Portion and (ii) the principal amount of the Pledged Series 2001 Bond plus interest accrued thereon at the Pledged Bond Rate to such Purchase Date plus any fees and expenses required to be paid by the Credit Facility Agreement.

(2) “**Credit Issuer’s Remarketing Portion**” means, as to a Pledged Series 2001 Bond remarketed by the Remarketing Agent on a Purchase Date, an amount equal to the principal amount of the Pledged Series 2001 Bond plus an amount equal to the interest accrued to such Purchase Date on such Pledged Series 2001 Bond as if such Pledged Series 2001 Bond bore interest at the rate borne by the Tender Bonds then remarketed.

(b) Actions. The following actions shall be taken on the Purchase Date for a Series of Tender Bonds.

(1) If any Pledged Series 2001 Bonds of the same Series were to be remarketed:

(i) The City shall pay the City’s Portion to the Tender Agent for payment to the related Credit Issuer.



(ii) From amounts received from purchasers of remarketed Pledged Series 2001 Bonds, the Remarketing Agent shall pay such Credit Issuer's Remarketing Portion to the Tender Agent for payment to such Credit Issuer.

(iii) The Tender Agent shall pay the amounts received by it as such Credit Issuer's Remarketing Portion and the City's Portion to the related Credit Issuer.

(2) From amounts received from purchasers of remarketed Tender Bonds the Remarketing Agent shall pay the amounts owed to the tendering Modal Holders of such Tender Bonds and then shall pay the balance to the Tender Agent.

(3) The Tender Agent next shall deposit to the credit of the Remarketing Fund established for such Series of correlative Variable Rate Bonds amounts received from the Remarketing Agent.

(4) The Tender Agent shall draw on the Credit Facility providing liquidity support pursuant to Section 9.6 hereof and deposit the proceeds of such draw to the credit of such Remarketing Fund.

(5) The Tender Agent shall notify the Finance Officer of any insufficiency in the amount drawn under the Credit Facility providing liquidity support.

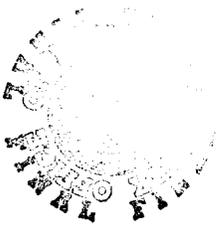
(6) All amounts not otherwise described in this Section received by the Tender Agent in respect of the remarketing of the Tender Bonds shall be deposited to the credit of the Remarketing Fund.

(7) The Tender Agent shall apply amounts credited to the Remarketing Fund as provided in Section 10.6 hereof.

(8) Pledged Series 2001 Bonds, if any, shall be transferred to the Credit Issuer in accordance with Section 10.8 hereof.

(9) The Tender Agent shall notify the Finance Officer and the Bond Registrar as provided in Section 10.8 hereof, and such notification shall include the aggregate principal amount of Pledged Series 2001 Bonds delivered to the Credit Issuer.

[End of Article IX]



ARTICLE X

CREDIT FACILITY FUND AND REMARKETING FUND

Section 10.1. Creation of Funds and Accounts. (a) Whenever there is a Series of Modal Bonds that has the benefit of a Credit Facility providing credit support in which the Tender Agent is the beneficiary, the Tender Agent shall establish and maintain a trust fund for such Series of Modal Bonds to be known as the "Credit Facility Fund [adding thereto the Series designation of such Modal Bonds]" and the following trust accounts within it:

- (1) Interest Account,
- (2) Principal Account, and
- (3) Redemption Account.

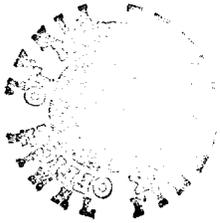
(b) Whenever there is a Series of Variable Rate Bonds that has the benefit of a Credit Facility providing liquidity support, the Tender Agent shall establish and maintain a trust fund for such Series of Variable Rate Bonds to be known as the "Remarketing Fund [adding thereto the Series designation of such Variable Rate Bonds]."

(c) All amounts received by the Tender Agent under a Credit Facility shall be held by the Tender Agent in trust and applied solely as provided in this Series 2001 Ordinance and at all times shall be identified as being held in trust on the books of the Tender Agent for the benefit of the Credit Issuer of the related Credit Facility subject to Section 10.11 hereof.

Section 10.2. "Sufficient Time" for Payments under Credit Facilities. As used in this Article, "sufficient time" means reasonably sufficient time in which to make the amounts drawn under a Credit Facility available: (i) to DTC, in accordance with its procedures, for timely payment on the dates in respect of which such amounts are being drawn if the Modal Bonds to be paid are then held in the "Book-Entry Only System" of DTC or (ii) to the Modal Holders (other than DTC or its nominee) for timely payment on the dates in respect of which such amounts are being drawn.

Section 10.3. Credit Support Draws. Except for Modal Bonds that are Excluded Credit Support Bonds, the Tender Agent shall draw under each Credit Facility providing credit support, if any, in sufficient time so as to have available:

- (1) to the credit of the related Interest Account on the date on which interest is due on the Modal Bonds (whether on an Interest Payment Date or a redemption date or by reason of a purchase of Term Bonds in lieu of mandatory sinking fund redemption), the amount of interest due on outstanding Modal Bonds on such date;
- (2) to the credit of the related Principal Account on each Principal Maturity Date, an amount equal to the principal amount due on outstanding Modal Bonds on such Principal Maturity Date;



(3) to the credit of the related Redemption Account:

(i) on each redemption date (other than a redemption date with respect to mandatory sinking fund redemptions), an amount equal to the redemption price of outstanding Modal Bonds called for redemption on such redemption date other than by reason of mandatory sinking fund redemptions; and

(ii) on the purchase date of any Term Bonds purchased pursuant to the Bond Ordinance, an amount equal to the principal amount of the Term Bonds so purchased less any discount; and

(4) immediately upon any acceleration of outstanding Modal Bonds pursuant to the Bond Ordinance, an amount that will equal the aggregate principal amount of such Modal Bonds plus interest accrued thereon to the Special Interest Payment Date, such amount to be credited first to the Interest Account in an amount equal to interest accrued on such Modal Bonds to such Special Interest Payment Date and second to the Principal Account, the balance.

Section 10.4. Liquidity Support Draws. The Tender Agent shall draw under each Credit Facility providing liquidity support as provided in Section 9.6 hereof.

Section 10.5. Application of the Credit Facility Fund. (a) Except for Modal Bonds that are Excluded Credit Support Bonds, the Tender Agent shall:

(1) as and when interest is due on outstanding Modal Bonds (whether an Interest Payment Date or a redemption date or by reason of a purchase of Term Bonds in lieu of mandatory sinking fund redemption), pay the same to the Modal Holders entitled thereto from amounts credited to the related Interest Account;

(2) as and when principal amounts are due on outstanding Modal Bonds, pay the same to the Modal Holders entitled thereto from amounts credited to the related Principal Account;

(3) as and when the redemption price is due on outstanding Modal Bonds (other than by reason of mandatory sinking fund redemptions), pay the same to the Modal Holders entitled thereto from amounts credited to the related Redemption Account; and

(4) as and when the purchase price is due on any Term Bonds purchased pursuant to the Bond Ordinance, pay the same (exclusive of any accrued interest) to the Modal Holders entitled thereto from amounts credited to the related Redemption Account.

(b) No amount shall be withdrawn from the Credit Facility Fund for the purpose of paying all or any part of any Purchase Price of Tender Bonds.

(c) Such payments shall be made in funds immediately available on the date of payment when required by applicable provisions of this Series 2001 Ordinance.



Section 10.6. Application of the Remarketing Fund. (a) As used in this Section, “**Necessary Amount**” means, with respect to any Purchase Date, the amount, if any, equal to the Purchase Price of Tender Bonds to be purchased on such Purchase Date less the amount received by the Tender Agent as the purchase price of such remarketed Tender Bonds.

(b) As of the close of business on each Purchase Date, the Tender Agent shall pay to the Credit Issuer of a Credit Facility providing liquidity support, from amounts credited to the related Remarketing Fund, the amount, if any, equal to the amount drawn under such Credit Facility less the Necessary Amount.

(c) The Tender Agent shall, as and when the Purchase Price is payable on Tender Bonds, pay the same to the Modal Holders entitled thereto in accordance with Section 9.8 hereof.

(d) No amount shall be withdrawn from a Remarketing Fund except for the purpose of paying all or any part of the Purchase Price of related Tender Bonds or to reimburse the Credit Issuer of the related Credit Facility providing liquidity support as provided in subsection (b) above.

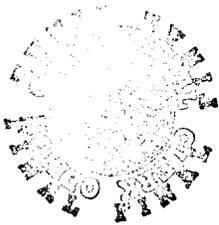
Section 10.7. Subrogation Rights. (a) No payment of any amount to a Modal Holder of a Modal Bond made from any amount drawn under a Credit Facility shall discharge the City’s obligation to pay such Modal Bond in accordance with its terms.

(b) Whenever an amount is drawn under a Credit Facility to pay an amount due any Modal Holder of a Modal Bond, the Credit Issuer of such Credit Facility shall be subrogated to the rights of the Modal Holders to receive such amount and to all appurtenant rights under such Modal Bond and the Bond Ordinance, including such rights of enforcement and taking other action as would otherwise have been available to such Modal Holder in respect of such amount.

(c) The subrogation of any Credit Issuer of a Credit Facility providing liquidity support to the rights of a Holder of a Modal Bond is subject to any subrogation in favor of a Credit Issuer of a Credit Facility providing credit support for such Modal Bond if and to the extent that such Credit Issuer providing liquidity support has the same benefit of such Credit Facility providing credit support as such Holder.

Section 10.8. Pledged Series 2001 Bonds. (a) If a Credit Facility is provided pursuant to a separate Credit Facility Agreement that also provides for reimbursement and related matters (such as a letter of credit and reimbursement agreement), then the references in this Section to “Credit Facility” refer to such Credit Facility Agreement so far as applicable.

(b) Immediately upon the receipt of a drawing under a Credit Facility, the Tender Agent shall notify the Finance Officer and the Paying Agent of the amount thereof, the purpose for the drawing, the numbers or other identifying marks of the Modal Bonds for which the drawing was made, and the subrogation rights of the Credit Issuer of such Credit Facility to corresponding amounts due Modal Holders of such Modal Bonds and (without duplication) amounts payable to such Credit Issuer under such Credit Facility and the due dates thereof.



(c) The following governs the terms of Pledged Series 2001 Bonds:

(1) The aggregate principal amount of Pledged Series 2001 Bonds shall not exceed the unreimbursed amount of the drawing exclusive of such portion thereof, if any, as shall represent interest on the related Modal Bonds.

(2) The denomination or denominations shall be as specified by the Credit Issuer.

(3) The interest rate shall be as set forth in such Credit Facility except that it shall not exceed the Maximum Pledged Bond Rate.

(4) The principal amount shall be payable, whether on mandatory redemption or at maturity, in such amounts and on such dates as are provided in such Credit Facility.

(5) Other terms of the Pledged Series 2001 Bonds shall be as provided in such Credit Facility subject only to any limitations contained in the Bond Ordinance.

(6) Except as otherwise provided above or in the Credit Facility and not in conflict with this subsection, the terms of the Pledged Series 2001 Bonds shall be the same as the correlative Modal Bonds.

(7) Pledged Series 2001 Bonds shall convey such appurtenant rights under the Bond Ordinance as are conveyed by way of the Credit Issuer's right of subrogation plus such additional rights as are provided in respect of payments due under such Credit Facility.

(d) No Pledged Series 2001 Bond shall be transferred by the Credit Issuer except as permitted by the Credit Facility.

Section 10.9. Investment of Moneys. (a) Amounts credited to the Remarketing Fund or the Credit Facility Fund shall be invested by the Tender Agent at the written direction of the Finance Officer in only direct obligations of the United States of America maturing within 30 days and then at the times and in the amounts when needed to provide for payments from the Remarketing Fund or any account within the Credit Facility Fund.

(b) The Remarketing Fund and the Credit Facility Fund shall include all investments made with moneys therein and all interest realized thereon and proceeds of the sale or other disposition thereof. Investments shall be valued as provided in Section 4.8 of the Master Ordinance.

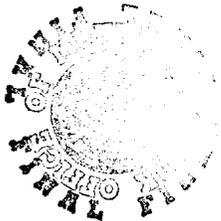
(c) The Tender Agent shall have no liability or responsibility for any loss resulting from an investment made in accordance with this Section, including without limitation loss resulting from the disposition of any investment disposed of to provide moneys needed prior to the date or dates indicated by the City or needed on account of any acceleration or other requirement of early payment hereunder.

Section 10.10. No Lien or Claims. None of the Paying Agent, the Tender Agent, the Remarketing Agent, any Credit Issuer (other than on Pledged Series 2001 Bonds) nor any other Person except for Modal Bondholders shall have any claim against any fund or account created pursuant to this Series 2001 Ordinance.



Section 10.11. Money Held for Particular Modal Bonds. Amounts held hereunder for the payment of principal (and premium, if any) of and interest on particular Modal Bonds shall be held in trust solely for the Modal Holders thereof. As used in this Section, the meaning of principal and interest includes Purchase Price.

[End of Article X]



ARTICLE XI CREDIT FACILITIES

Section 11.1. When Required. (a) Each Variable Rate Bond shall be the subject of a Credit Facility providing liquidity support unless such Variable Rate Bond is an Excluded Liquidity Support Bond.

(b) Each Modal Bond shall be the subject of a Credit Facility providing credit support unless such Modal Bond is an Excluded Credit Support Bond.

(c) The City shall not be in default of its obligations contained in subsection (a) above if a Credit Facility providing liquidity support terminates by reason of a state or condition affecting the Credit Issuer of the Credit Facility providing credit support or if the obligations of a Credit Issuer under its Credit Facility are subject to a stay or are otherwise affected by the insolvency or similar financial condition of such Credit Issuer and in any of the foregoing, the City is diligently proceeding to obtain a Substitute Credit Facility from a different Credit Issuer.

Section 11.2. Credit Facility Principal and Interest Requirements. (a) Liquidity Support. Each Credit Facility required by Section 11.1 hereof providing liquidity support for any Variable Rate Bond shall have:

(1) a principal component at least equal to the principal amount of such Variable Rate Bond, and

(2) an interest component at least equal to such number of days' interest on such Variable Rate Bond calculated at the Stated Maximum Rate using the applicable Day Count Convention as shall be necessary to obtain a Rating Confirmation for such Variable Rate Bond.

(b) Credit Support. Each Credit Facility required by Section 11.1 hereof providing credit support for a Modal Bond shall:

(1) have a principal component at least equal to the principal amount of such Modal Bond plus (if included in the initial Credit Facility) the maximum redemption premium, if any, payable on the redemption thereof;

(2) have an interest component at least equal to such number of days' interest on such Modal Bond calculated at the Stated Maximum Rate using the applicable Day Count Convention as shall be necessary to obtain a Rating Confirmation for such Modal Bond; and

(3) provide that non-reinstatement of the interest component is a Termination Event.

(c) When Requirements not Duplicative. If a Credit Facility combines credit and liquidity support in a single Credit Facility, there shall be a single principal and interest requirement of the Credit Facility.



(d) Exclusion of Pledged Series 2001 Bonds. No Pledged Series 2001 Bond shall be the subject of a Credit Facility providing liquidity support.

Section 11.3. Terms of Conforming Credit Facilities. A Conforming Credit Facility shall:

(1) meet the requirements of Section 11.2 hereof after giving effect to the purposes for which such Credit Facility is being acquired;

(2) become effective not later than the Expiry Date or the Termination Date, as applicable, of the Predecessor Credit Facility and may be conditioned on any mandatory tender draw to occur by reason of the substitution of a new Credit Issuer occurring under the Predecessor Credit Facility;

(3) have an Expiry Date that is a Modal Business Day occurring no sooner than the earlier of (i) 363 days after the date on which such Credit Facility becomes effective (*i.e.*, such Credit Facility shall have a term of at least 364 days) and (ii) the last maturity date of the Modal Bonds for which such Credit Facility is being acquired;

(4) if such Credit Facility is a letter of credit, name the Tender Agent as the beneficiary and be transferrable to any successor Tender Agent;

(5) provide at least comparable notice periods and opportunities to draw funds thereunder as the Predecessor Credit Facility provided upon the occurrence of a Termination Event;

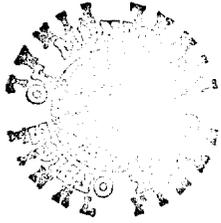
(6) provide that payments to the Tender Agent thereunder shall be paid in funds of the Credit Issuer immediately available to the Tender Agent on the day such payment is due; and

(7) provide for drawings or other payments thereunder to be made on terms otherwise at least equivalent in substance to the terms of the Predecessor Credit Facility and be in form and substance satisfactory to the Tender Agent.

Section 11.4. Substitution of Credit Facilities. (a) “**Substitute Credit Facility**” means (i) a new Credit Facility (regardless of whether the Credit Issuer thereof is a new Credit Issuer or the Credit Issuer of the Predecessor Credit Facility) to be substituted for the Predecessor Credit Facility and (ii) any amendment or modification in any material adverse respect of an existing Credit Facility with respect to the Modal Bonds covered by such Credit Facility.

(b) The City shall not execute any Substitute Credit Facility unless:

(1) the City determines that such Substitute Credit Facility is a Conforming Credit Facility;



(2) it has obtained, as applicable:

(i) in the case of a Substitute Credit Facility providing liquidity support, the consent of the Credit Issuer of any Credit Facility providing credit support for Modal Bonds that are also the subject of such Substitute Credit Facility, or

(ii) in the case of a Substitute Credit Facility providing credit support, the consent of the Credit Issuer of any Credit Facility providing liquidity support for Modal Bonds that are also the subject of such Substitute Credit Facility; and

(3) the City has obtained a Rating Confirmation.

(c) At the direction of the Finance Officer, the Tender Agent shall accept any Substitute Credit Facility in substitution for its Predecessor Credit Facility if:

(1) the Tender Agent has received and then holds:

(i) a certificate of the Finance Officer that the City has determined that such Substitute Credit Facility is a Conforming Credit Facility,

(ii) a Favorable Bond Counsel's Opinion with respect to such Substitute Credit Facility,

(iii) such consents as are required by subsection (b)(2) above, and

(iv) the Rating Confirmation required by subsection (b)(3) above; and

(2) if the Credit Issuer of such Substitute Credit Facility is a new Credit Issuer the Finance Officer has given the Tender Agent notice of such substitution not later than the minimum number of days required by Section 8.2 hereof for notices given in connection with mandatory tender by reason of a new Credit Issuer plus 15 days (or such fewer days in advance of such minimum number as may be acceptable to the Tender Agent).

Section 11.5. Excluded Bonds. (a) No Variable Rate Bond shall be excluded from the benefits of a Credit Facility except in accordance with this Section.

(b) Modal Bonds that:

(1) have the benefit of a Credit Facility providing liquidity support are eligible to be excluded by the Finance Officer from the benefits of a Credit Facility providing credit support only to the extent that the Finance Officer is permitted to do so by the Credit Issuer of such Credit Facility providing liquidity support, and

(2) have the benefit of a Credit Facility providing credit support are eligible to be excluded by the Finance Officer from the benefits of a Credit Facility providing liquidity support only to the extent that the Finance Officer is permitted to do so by the Credit Issuer of such Credit Facility providing credit support.

(c) In connection with any Mode change, any Modal Bond eligible under subsection (b) above to be excluded from the benefits of a Credit Facility may be excluded by the Finance Officer only to the extent the Finance Officer is permitted to do so by the terms of such Credit Facility and only if:

(1) the Rating Agencies were given notice of the City's intention to exclude such Modal Bonds when such Mode change becomes effective, and

(2) the Modal Holders of such Modal Bonds were given notice, in accordance with Section 6.13 hereof, of the Finance Officer's intention to exclude such Modal Bonds when such Mode change becomes effective.

Section 11.6. Reduction and Cancellation. (a) The Finance Officer may direct the Tender Agent to reduce the principal and interest components of the relevant Credit Facility to take into account Excluded Bonds (or either Excluded Credit Support Bonds or Excluded Liquidity Support Bonds), but such reduction shall not take effect until the related Mode change has become effective.

(b) The Finance Officer may direct the Tender Agent to reduce the principal and interest components of the Credit Facility to take into account any Modal Bonds that are no longer "outstanding."

(c) Whenever, with reference to any particular Credit Facility, all outstanding Modal Bonds are Excluded Bonds as to such Credit Facility, the Finance Officer may direct the Tender Agent to cancel such Credit Facility.

(d) Whenever no Modal Bonds are outstanding, the Finance Officer may direct the Tender Agent to cancel each related Credit Facility to the extent it may be canceled.

(e) The Tender Agent shall reduce or cancel Credit Facilities as directed by the Finance Officer in accordance with this Section.

Section 11.7. Termination by Credit Issuer. (a) Each Notice Party shall give every other Notice Party notice of every Termination Notice received by it and of its contents within two Modal Business Days of its receipt.

(b) As soon as practicable, the Tender Agent shall give notice to the Modal Holders of Modal Bonds affected by a Termination Event of such Termination Event and, if such Termination Notice is a Last Put Termination Notice, of the Purchase Date.

(c) In the case of a Last Put Termination Event and in order to give the Modal Holders of affected Modal Bonds as much advance notice of the Purchase Date to be established in respect thereof as possible under the circumstances, the Tender Agent shall establish such Purchase Date as long after the date on which the Tender Agent gives notice to the Modal Holders of Modal Bonds affected by the Last Put Termination Event as it can subject to the following:

(1) No advance notice of such Purchase Date is required if the Tender Agent cannot give such advance notice in the exercise of reasonable diligence.



(2) In all events the Purchase Date shall be a Modal Business Day at least five days before the Last Put Termination Date unless the Tender Agent cannot so provide in the exercise of reasonable diligence, provided that the Purchase Date shall be the date set by the Credit Issuer if the Credit Facility provides in effect that:

The obligation of the Credit Issuer to purchase Tender Bonds shall terminate upon the purchase by the Credit Issuer of all Tender Bonds tendered or deemed tendered pursuant to the Last Put Termination Notice.

(d) For the purposes of this Section:

(1) **“As soon as practicable”** means, with reference to any act to be performed by the Tender Agent, such Modal Business Day on which the Tender Agent can perform such act in the exercise of reasonable diligence.

(2) **“Reasonable diligence”** means, with respect to the Tender Agent performing any act, performing such act within three Modal Business Days, after the Tender Agent receives a Termination Notice from the Credit Issuer or another Notice Party.

[End of Article XI]



ARTICLE XII

CONCERNING THE TENDER AGENT AND THE REMARKETING AGENT

Section 12.1. Tender Agent; Qualifications. (a) For so long as there are any Variable Rate Bonds outstanding, there shall be a Tender Agent, and no resignation of a Tender Agent shall become effective unless a successor has accepted its appointment and the Credit Facilities then in effect with the Tender Agent as beneficiary have been transferred to it.

(b) Any Person serving as Tender Agent shall be a commercial bank with trust powers or a trust company.

Section 12.2. Responsibilities of Tender Agent. (a) As regards this Series 2001 Ordinance:

(1) The Tender Agent undertakes to perform such duties and only such duties as are specifically set forth herein, and no implied covenants or obligations shall be read into this Series 2001 Ordinance against the Tender Agent.

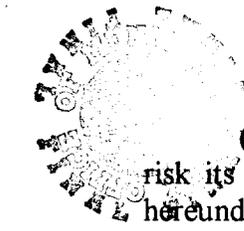
(2) The Tender Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the proper parties.

(3) Whenever in the administration of this Series 2001 Ordinance the Tender Agent shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, it may (unless other evidence is herein specifically prescribed), in the absence of bad faith on its part, request and rely on a certificate executed by the Finance Officer.

(4) The Tender Agent may consult with counsel, and the written advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by it in good faith and in reliance thereon.

(5) The Tender Agent is not bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or other paper or document, but it may make such further inquiry into such facts or matters as it may see fit.

(b) In the absence of bad faith on its part, the Tender Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certifications and opinions furnished to it and conforming to the requirements of this Series 2001 Ordinance, but, in the case of any certificates or opinions that by any provision hereof are specifically required to be furnished to the Tender Agent, it shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Series 2001 Ordinance.



(c) No provision of this Series 2001 Ordinance shall require the Tender Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate assurance against such risk or liability is not reasonably assured to it.

Section 12.3. Remarketing Agent. (a) The Remarketing Agent shall have such rights, duties, privileges, and immunities as are contained in the Remarketing Agreement and are not inconsistent with this Series 2001 Ordinance; provided that in all events the Remarketing Agent is obligated to perform such duties as are herein set forth to be performed by the Remarketing Agent notwithstanding anything to the contrary contained in the Remarketing Agreement.

(b) Each Credit Issuer providing liquidity support shall have the right to remove the Remarketing Agent in the event of a material breach by the Remarketing Agent of its duties hereunder or under the Remarketing Agreement and to consent to any successor Remarketing Agent.

[End of Article XII]



ARTICLE XIII

OTHER MODAL BOND PROVISIONS

Section 13.1. Limitation on Defeasance. The City shall not defease the lien of the Bond Ordinance securing any Short-Term Bonds or Auction Rate Bonds by the deposit of funds in escrow (commonly known as a “legal defeasance”) without obtaining a Rating Confirmation from each Rating Agency of the Short-Term Bonds or Auction Rate Bonds so defeased.

Section 13.2. Amendments. (a) This Series 2001 Ordinance cannot be amended or supplemented except in accordance with this Section.

(b) No amendment of, or supplement to, this Series 2001 Ordinance (except Article V hereof) shall become effective without the consent of the Tender Agent, each Credit Issuer, and the Remarketing Agent. Every other subsection of this Section is subject to the limitations contained in this subsection.

(c) The Finance Officer shall provide each Rating Agency with a copy of each amendment or supplement at least 15 days in advance of the same becoming effective.

(d) For the purpose of obtaining consent for the purposes of the Bond Ordinance or otherwise, the consent of a Modal Bondholder acquiring a Modal Bond in a remarketing in which the remarketing circular or other disclosure document fully disclosed the terms of such amendment or supplement shall be considered obtained as if such consents were being solicited under the Bond Ordinance or otherwise, but no actual consent shall be required and no more than one such disclosure shall be required.

(e) If an amendment by its terms affects only a Series, the consent of Modal Holders of other Series is not required.

(f) Upon any amendment or supplement becoming effective, each Credit Issuer shall be provided with a copy of such amendment or supplement.

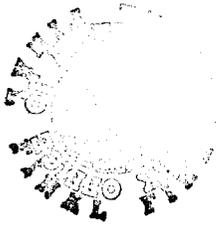
Section 13.3. Notices to Rating Agencies. The Finance Officer shall give notice to each Rating Agency of any of the following promptly on the occurrence thereof: (i) the expiration, termination, extension, or substitution of any Credit Facility or any amendment or modification of, or any material change to, any Credit Facility, (ii) any redemption or defeasance of Modal Bonds, (iii) any Mode change, (iv) any mandatory tender of Modal Bonds, (v) any change in the Paying Agent, the Remarketing Agent, the Tender Agent, the Market Agent, or the Auction Agent, (vi) any amendment of this Series 2001 Ordinance, (vii) any issuance of additional Bonds that are on a parity with any Modal Bonds, and (viii) any change in the Auction Period pursuant to Section 5.15 hereof.

Section 13.4. Notices. Each notice, request, or other communication given hereunder shall be effective (i) if given by mail, 72 hours after it is deposited in the United States mail with first class postage prepaid, addressed to the recipient at its Notice Address, and (ii) if given by another means, when delivered at its Notice Address.



Section 13.5. Payments Due and Acts to be Performed on Non-Modal Business Days. If a date of maturity of interest on or principal of the Modal Bonds or any redemption date or Purchase Date or a date fixed for the performance of any other act under this Series 2001 Ordinance, shall not be a Modal Business Day or Auction Business Day, as the case may be, payment of such interest or principal, redemption price, or Purchase Price need not be made, and any such other act need not be performed, on such date but may be made or performed on the next succeeding Modal Business Day or Auction Business Day, as the case may be, with the same force and effect as if made on the date of maturity or the date fixed for redemption or purchase, and, except as otherwise herein provided, no interest on any amount so paid shall accrue for the period after such date.

[End of Article XIII]



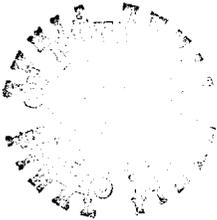
ARTICLE XIV

GENERAL PROVISIONS

Section 14.1. Authorization of Series 2001 Registrar and Paying Agent Agreement, Tender Agreement, and Remarketing Agreement. The forms, terms, and conditions and the execution, delivery, and performance of the Series 2001 Registrar and Paying Agent Agreement, the Tender Agreement, and the Remarketing Agreement, which have been filed with the City, are hereby approved and authorized. The Series 2001 Registrar and Paying Agent Agreement, the Tender Agreement, and the Remarketing Agreement shall be in substantially the forms submitted to the Governing Body with such changes, corrections, deletions, insertions, variations, additions, or omissions as may be approved by the Chief Officer, whose approval thereof shall be conclusively evidenced by the execution of each such contract. The Chief Officer is hereby authorized and directed to execute on behalf of the City the Series 2001 Registrar and Paying Agent Agreement, the Tender Agreement, and the Remarketing Agreement, and the Attesting Officer is hereby authorized and directed to affix thereto and attest the seal of the City, upon proper execution and delivery of the other parties thereto, provided, that in no event shall any such attestation or affixation of the seal of the City be required as a prerequisite to the effectiveness thereof, and the Chief Officer and Attesting Officer are authorized and directed to deliver such contracts on behalf of the City.

Section 14.2. Continuing Disclosure for Series 2001 Bonds. The City hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City and to be dated as of the date of the issuance and delivery of the Series 2001 Bonds, as originally executed and as it may be amended from time to time in accordance with its terms (the "Series 2001 Disclosure Certificate"). Notwithstanding any other provision of the Bond Ordinance, failure of the City to comply with the Series 2001 Disclosure Certificate shall not be considered a default or an Event of Default under the Bond Ordinance. It is expressly provided, however, that any beneficial owner of the Series 2001 Bonds may take such action, to the extent and in such manner as may be allowed by applicable law, as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Section 14.2.

[End of Article XIV]



ARTICLE XV

SALE OF SERIES 2001 BONDS AND APPLICATION OF PROCEEDS; REFUNDING PROGRAM

Section 15.1. Sale of Series 2001 Bonds. Each series of Series 2001 Bonds shall be sold as separate units, and a certified copy of this Series 2001 Ordinance shall be filed with the Bond Registrar.

Section 15.2. Application of Series 2001 Bond Proceeds. Upon the written request of the City, the Bond Registrar shall authenticate and deliver the Series 2001 Bonds to the purchaser or purchasers and shall receive a receipt for the Series 2001 Bonds.

The City shall apply the proceeds from the sale of the Series 2001A Bonds and the Series 2001B Bonds as follows:

15.2.1. The accrued interest received upon the sale of the Series 2001A Bonds shall be deposited into the Interest Subaccount and used to pay interest due on the Series 2001A Bonds on May 1, 2002.

15.2.2. The sum specified in the Schedule of Terms for Modal Bonds shall be deposited into the Series 2001 Escrow Fund, which shall be sufficient to pay, at maturity or upon redemption prior to maturity, all outstanding Refunded Bonds.

15.2.3. The sum specified in the Schedule of Terms for Modal Bonds shall be deposited into the Debt Service Reserve Account, which shall be sufficient to increase the balance therein to 100% of the Debt Service Reserve Requirement computed on a basis that includes all Senior Bonds that will be Outstanding immediately after the issuance of the Series 2001A Bonds and the Series 2001B Bonds.

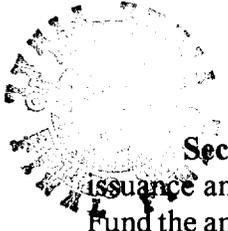
15.2.4. All remaining proceeds shall be deposited into the Series 2001A&B Project Account of the Project Fund.

The City shall apply the proceeds from the sale of the Series 2001C Bonds as follows:

15.2.5. The sum specified in the Schedule of Terms for Modal Bonds shall be deposited into the Debt Service Reserve Account, which shall be sufficient to increase the balance therein to 100% of the Debt Service Reserve Requirement computed on a basis that includes all Senior Bonds that will be Outstanding immediately after the issuance of the Series 2001C Bonds.

15.2.6. All remaining proceeds shall be deposited into the Series 2001C Project Account of the Project Fund.

Section 15.3. Creation of the Series 2001 Escrow Fund. There is hereby created the City of Atlanta Water and Sewer Series 2001 Escrow Fund. The Bank of New York, New York, New York, is hereby designated as the Series 2001 Escrow Agent for the Series 2001 Escrow Fund.

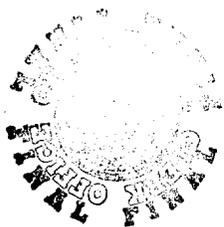


Section 15.4. Provision for Payment of the Refunded Bonds. Simultaneously with the issuance and delivery of the Series 2001 Bonds, the City shall deposit in the Series 2001 Escrow Fund the amount specified in Section 15.2. Such amount, together with investment earnings thereon, will be sufficient to pay, at maturity or upon redemption prior to maturity, all outstanding Refunded Bonds.

Section 15.5. Series 2001 Escrow Agreement. The Chief Officer is hereby authorized and directed to enter into the Series 2001 Escrow Agreement with the Series 2001 Escrow Agent in substantially the form presented to the Governing Body at the time of the adoption of this Series 2001 Ordinance, subject to such changes, insertions, corrections, or deletions as the Chief Officer may approve and subject to such additional changes in schedules, descriptions of investments, cash flow tables, and similar financial aspects of the Series 2001 Escrow Agreement as may be furnished. The execution and delivery of the Series 2001 Escrow Agreement by the Chief Officer shall constitute conclusive evidence of the approval of all such changes, insertions, corrections, or deletions. The Series 2001 Escrow Agreement shall provide for all of the terms and conditions governing the Series 2001 Escrow Fund. In the event of any conflict between the Bond Ordinance and the Series 2001 Escrow Agreement, the Series 2001 Escrow Agreement shall control.

Section 15.6. Termination of Rights. The City acknowledges and intends that, by virtue of the deposits into the Series 2001 Escrow Fund, the Refunded Bonds shall be deemed to have been paid and that, consequently, the rights granted to the owners of the Refunded Bonds under the Bond Ordinance (except for purposes of payment, registration, exchange, and transfer), shall cease, determine, and become void.

[End of Article XV]



CORRECTED COPY

ARTICLE XVI

PROJECT FUND

Section 16.1. Series 2001A&B Project Account. The City hereby establishes within the Project Fund a separate account to be designated the Series 2001A&B Project Account. Proceeds from the sale of the Series 2001A Bonds and the Series 2001B Bonds shall be deposited in the Series 2001A&B Project Account pursuant to Section 15.2 of this Series 2001 Ordinance. The amount deposited in the Series 2001A&B Project Account, together with earnings thereon, shall be held and paid out in accordance with Article XII of the Master Ordinance, invested in accordance with the provisions of the Bond Ordinance, and applied only to payment of Costs of the Series 2001 Project.

Section 16.2. Series 2001C Project Account. The City hereby establishes within the Project Fund a separate account to be designated the Series 2001C Project Account. Proceeds from the sale of the Series 2001C Bonds shall be deposited in the Series 2001C Project Account pursuant to Section 15.2 of this Series 2001 Ordinance. The amount deposited in the Series 2001C Project Account, together with earnings thereon, shall be held and paid out in accordance with Article XII of the Master Ordinance, invested in accordance with the provisions of the Bond Ordinance, and applied only to payment of Costs of the Series 2001 Project.

[End of Article XVI]



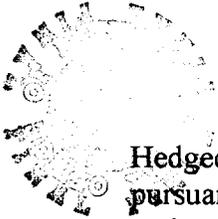
ARTICLE XVII

SERIES 2001A CREDIT FACILITY, SERIES 2001B&C CREDIT FACILITY, SERIES 2001C CREDIT FACILITY, SERIES 2001B&C LIQUIDITY FACILITY, AND HEDGE AGREEMENTS

Section 17.1. Authorization. (a) The City hereby authorizes (1) the purchase of the Series 2001A Credit Facility from the Series 2001A Credit Issuer, (2) the purchase of the Series 2001B&C Credit Facility from the Series 2001B&C Credit Issuer, and (3) the purchase of the Series 2001C Credit Facility from the Series 2001C Credit Issuer.

(b) The form, terms, and conditions and the execution, delivery, and performance of the Series 2001B&C Liquidity Facility, which has been filed with the City, are hereby approved and authorized. The Series 2001B&C Liquidity Facility shall be in substantially the form submitted to the Governing Body with such changes, corrections, deletions, insertions, variations, additions, or omissions as may be approved by the Chief Officer, whose approval thereof shall be conclusively evidenced by the execution of such contract. The Chief Officer is hereby authorized and directed to execute on behalf of the City the Series 2001B&C Liquidity Facility, and the Attesting Officer is hereby authorized and directed to affix thereto and attest the seal of the City, upon proper execution and delivery by the other party thereto, provided, that in no event shall any such attestation or affixation of the seal of the City be required as a prerequisite to the effectiveness thereof, and the Chief Officer and Attesting Officer are authorized and directed to deliver such contract on behalf of the City.

(c) The forms, terms, and conditions and the execution, delivery, and performance of the Series 2001 Swap Agreement, the Series 2001 Swap Insurance Agreement, Confirmation #3, Confirmation #4, Confirmation #5, and Amended Confirmations #1 and #2, which have been filed with the City, are hereby approved and authorized. The Series 2001 Swap Agreement, the Series 2001 Swap Insurance Agreement, and such confirmations shall be in substantially the forms submitted to the Governing Body with such changes, corrections, deletions, insertions, variations, additions, or omissions as may be approved by the Chief Officer, whose approval thereof shall be conclusively evidenced by the execution of such documents. The Chief Officer is hereby authorized and directed to execute on behalf of the City the Series 2001 Swap Agreement, the Series 2001 Swap Insurance Agreement, and such confirmations, and the Attesting Officer is hereby authorized and directed to affix thereto and attest the seal of the City, upon proper execution and delivery by the other parties thereto, provided, that in no event shall any such attestation or affixation of the seal of the City be required as a prerequisite to the effectiveness thereof, and the Chief Officer and Attesting Officer are authorized and directed to deliver such documents on behalf of the City. The Finance Officer may elect in the Schedule of Terms for Modal Bonds to not have any such confirmation executed and delivered.



Section 17.2. Hedged Bonds. (a) The Series 2001B-1 Hedged Bonds, the Series 2001B-2 Hedged Bonds, and the Series 2001C Hedged Bonds are hereby designated as “Hedged Bonds” pursuant to Section 5.9(b) of the Master Ordinance. The City’s obligation to pay Hedge Payments under the Series 2001 Swap Agreement, as supplemented by Confirmation #3, Confirmation #4, and Confirmation #5, shall be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by Section 4.1 of the Master Ordinance to secure the Series 2001B-1 Hedged Bonds, the Series 2001B-2 Hedged Bonds, and the Series 2001C Hedged Bonds, which Pledged Revenues are hereby pledged for that purpose.

(b) The City hereby terminates its designation as “Hedged Bonds” under Section 5.9(b) of the Master Ordinance of \$28,270,000 in aggregate principal amount of the Series 1999A Bonds maturing on November 1, 2038, and hereby designates \$28,270,000 in aggregate principal amount of the Series 2001A Bonds maturing on November 1, 2039, and subject to mandatory redemption on November 1, 2038, as “Hedged Bonds” pursuant to Section 5.9(b) of the Master Ordinance.

Section 17.3. Notices (Series 2001A Credit Facility). (a) As long as the Series 2001A Credit Facility is in full force and effect, the City shall deliver to the Series 2001A Credit Issuer (1) copies of all notices required to be given under the terms of the Bond Ordinance, at the time such notices are given, (2) notice of any Supplemental Ordinance authorized by Section 10.1 of the Master Ordinance, upon the adoption of any such Supplemental Ordinance, (3) in connection with the issuance of additional Bonds under the Bond Ordinance, a copy of the disclosure document, if any, circulated with respect to such additional Bonds, (4) notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto, and (5) on an annual basis, copies of the City’s audited financial statements and annual budget.

(b) All notices required to be given to the Series 2001A Credit Issuer under the Bond Ordinance shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Surveillance.

Section 17.4. Consent Rights (Series 2001A Credit Facility). As long as the Series 2001A Credit Facility is in full force and effect, the Series 2001A Credit Issuer shall have the consent rights of the owners of the Series 2001A Bonds pertaining to Supplemental Ordinances authorized by Section 10.2 of the Master Ordinance. The City shall deliver copies of all such Supplemental Ordinances that are consented to by the Series 2001A Credit Issuer to Standard and Poor’s, upon the effective date of such Supplemental Ordinances.

Section 17.5. Exercise of Remedies (Series 2001A Credit Facility). As long as the Series 2001A Credit Facility is in full force and effect, the Series 2001A Credit Issuer shall be recognized as the registered owner of the Series 2001A Bonds for purposes of Section 7.2 of the Master Ordinance and, acting alone, shall have the right to direct all remedies with respect to the Series 2001A Bonds upon the occurrence of an Event of Default. Any acceleration of principal payments of the Series 2001A Bonds pursuant to Section 7.2 of the Master Ordinance shall be subject to the Series 2001A Credit Issuer’s prior written consent.



Section 17.6. Payments under the Series 2001A Credit Facility. (a) In the event that, on the second business day, and again on the business day, prior to the payment date on the Series 2001A Bonds, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Series 2001A Bonds due on the second following or following, as the case may be, business day, the Paying Agent shall immediately notify the Series 2001A Credit Issuer or its designee on the same business day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

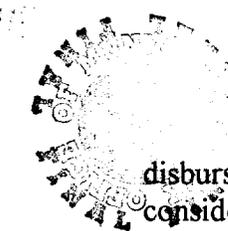
(b) If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Series 2001A Credit Issuer or its designee.

(c) In addition, if the Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on the Series 2001A Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Series 2001A Credit Issuer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(d) The Paying Agent is hereby irrevocably designated, appointed, directed, and authorized to act as attorney-in-fact for the registered owners of the Series 2001A Bonds as follows:

(1) If and to the extent there is a deficiency in amounts required to pay interest on the Series 2001A Bonds, the Paying Agent shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Series 2001A Credit Facility (the “**Insurance Paying Agent**”), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Series 2001A Credit Issuer as agent for such registered owners in any legal proceeding related to the payment of such interest and an assignment to the Series 2001A Credit Issuer of the claims for interest to which such deficiency relates and which are paid by the Series 2001A Credit Issuer, (b) receive as designee of the respective registered owners (and not as Paying Agent) in accordance with the tenor of the Series 2001A Credit Facility payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective registered owners; and

(2) If and to the extent of a deficiency in amounts required to pay principal of the Series 2001A Bonds, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Series 2001A Credit Issuer as agent for such registered owner in any legal proceeding relating to the payment of such principal and an assignment to the Series 2001A Credit Issuer of any of the Series 2001A Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective registered owners (and not as Paying Agent) in accordance with the tenor of the Series 2001A Credit Facility payment therefor from the Insurance Paying Agent, and (c) disburse the same to such registered owners.



(e) Payments with respect to claims for interest on and principal of Series 2001A Bonds disbursed by the Paying Agent from proceeds of the Series 2001A Credit Facility shall not be considered to discharge the obligation of the City with respect to such Series 2001A Bonds, and the Series 2001A Credit Issuer shall become the owner of such unpaid Series 2001A Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the City and the Paying Agent hereby agree for the benefit of the Series 2001A Credit Issuer that:

(1) They recognize that to the extent the Series 2001A Credit Issuer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Series 2001A Bonds, the Series 2001A Credit Issuer will be subrogated to the rights of such registered owners to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated in the Bond Ordinance and the Series 2001A Bonds; and

(2) They will accordingly pay to the Series 2001A Credit Issuer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Series 2001A Credit Facility, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Bond Ordinance and the Series 2001A Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Series 2001A Bonds to Bondholders, and will otherwise treat the Series 2001A Credit Issuer as the owner of such rights to the amount of such principal and interest.

Section 17.7. Provisions Relating to the Series 2001B&C Credit Facility. (a) The Series 2001B&C Credit Issuer shall be deemed to be the sole holder of the Modal Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Modal Bonds insured by it are entitled to take pursuant to the Bond Ordinance. The maturity of Modal Bonds insured by the Series 2001B&C Credit Issuer shall not be accelerated without the consent of the Series 2001B&C Credit Issuer.

(b) As long as Modal Bonds insured by the Series 2001B&C Credit Issuer are outstanding, the City's failure to pay the purchase price on variable rate demand obligations shall not be an Event of Default under the Bond Ordinance.

(c) The Series 2001B&C Credit Issuer is and shall be deemed to be a third party beneficiary of the Bond Ordinance.

(d) No modification, amendment, or supplement to the Bond Ordinance or any other transaction document (each a "**Related Document**") may become effective except upon obtaining the prior written consent of the Series 2001B&C Credit Issuer.

(e) Copies of any modification or amendment to the Bond Ordinance or any other Related Document shall be sent to Standard and Poor's and Moody's at least 10 days prior to the effective date thereof.



(f) The rights granted to the Series 2001B&C Credit Issuer under the Bond Ordinance or any other Related Document to request, consent to, or direct any action are rights granted to the Series 2001B&C Credit Issuer in consideration of its issuance of the Series 2001B&C Credit Facility. Any exercise by the Series 2001B&C Credit Issuer of such rights is merely an exercise of the Series 2001B&C Credit Issuer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders nor does such action evidence any position of the Series 2001B&C Credit Issuer, positive or negative, as to whether Bondholder consent is required in addition to consent of the Series 2001B&C Credit Issuer.

(g) To accomplish defeasance of Modal Bonds insured by the Series 2001B&C Credit Issuer, the City shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Series 2001B&C Credit Issuer ("Accountant") verifying the sufficiency of the escrow established to pay such Modal Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Series 2001B&C Credit Issuer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Modal Bonds are no longer "Outstanding" under the Bond Ordinance; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City and the Series 2001B&C Credit Issuer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Series 2001B&C Credit Issuer and shall be accompanied by such opinions of counsel as may be required by the Series 2001B&C Credit Issuer. The Series 2001B&C Credit Issuer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow. Such Modal Bonds shall be deemed "Outstanding" under the Bond Ordinance unless and until they are in fact paid and retired or the above criteria are met.

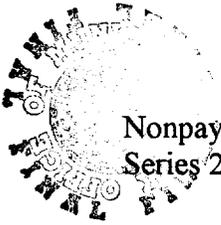
(h) Amounts paid by the Series 2001B&C Credit Issuer under the Series 2001B&C Credit Facility shall not be deemed paid for purposes of the Bond Ordinance and shall remain Outstanding and continue to be due and owing until paid by the City in accordance with the Bond Ordinance.

(i) The Bond Ordinance shall not be discharged unless all amounts due or to become due to the Series 2001B&C Credit Issuer have been paid in full or duly provided for.

(j) The Series 2001B&C Credit Issuer shall, to the extent it makes any payment of principal of or interest on the Modal Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2001B&C Credit Facility.

(k) The Series 2001B&C Credit Issuer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver, or consent proposed in respect of the Bond Ordinance or any other Related Document.

(l) The Series 2001B&C Credit Issuer shall be entitled to pay principal or interest on the Modal Bonds it insures that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Series 2001B&C Credit Facility) and any amounts due on such Modal Bonds as a result of acceleration of the maturity thereof in accordance with the Bond Ordinance, whether or not the Series 2001B&C Credit Issuer has received a Notice of



Nonpayment (as such terms are defined in the Series 2001B&C Credit Facility) or a claim upon the Series 2001B&C Credit Facility.

(m) The notice address of the Series 2001B&C Credit Issuer is: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director -- Surveillance; Re: Policy No. _____, Telephone: (212) 826-0100; Telecopier: (212) 339-3529. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(n) The Series 2001B&C Credit Issuer shall be provided with the following information:

(i) Annual audited financial statements within 120 days after the end of the City's fiscal year and the City's annual budget within 30 days after the approval thereof;

(ii) Notice of any draw upon the Debt Service Reserve Account within two business days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Senior Bonds;

(iii) Notice of any default known to the Paying Agent within five business days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Senior Bonds, including the principal amount, maturities, and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Paying Agent or the Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the City commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation, or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Senior Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Related Documents; and

(ix) All reports, notices, and correspondence to be delivered under the terms of the Related Documents.

(o) As long as Modal Bonds insured by the Series 2001B&C Credit Issuer remain in a Variable Rate Mode, the City shall maintain in effect a Credit Facility providing liquidity support, acceptable to the Series 2001B&C Credit Issuer, issued by a Credit Issuer rated at least "A-1" by S&P or "VMIG-1" by Moody's. Amounts available under such Credit Facility must be equal to the



Principal amount of such Modal Bonds plus accrued interest for one full interest payment period plus at least five days. Interest shall be calculated at the Modal Maximum Rate.

(p) The City shall notify the Series 2001B&C Credit Issuer of its decision not to request renewal of the term of any Credit Facility providing liquidity support for Modal Bonds at least 90 days prior to its expiration.

(q) The Series 2001B&C Credit Issuer shall have the right to direct the conversion of the Mode on any Modal Bonds insured by it to a Modal Fixed Rate Mode, subject to the requirements of Article VI hereof, (i) upon failure of the Credit Issuer providing liquidity support to purchase such Modal Bonds; (ii) upon expiration or termination of the Credit Facility providing liquidity support with no substitution therefor; (iii) if such Modal Bonds are held as Pledged Series 2001 Bonds for 45 days or more in any Fiscal Year or there are two failed remarketings of such Modal Bonds; (iv) if Pledged Series 2001 Bonds bear interest at the Maximum Pledged Bond Rate, or (v) if the City fails to replace such Credit Facility when required.

(r) The Remarketing Agent and any successor must be acceptable to the Series 2001B&C Credit Issuer and may be replaced at the discretion of the Series 2001B&C Credit Issuer. The form of the Remarketing Agreement must be acceptable to the Series 2001B&C Credit Issuer.

(s) The following provisions shall apply if Modal Bonds insured by the Series 2001B&C Credit Issuer are converted to an Auction Rate Mode:

(1) The terms and provisions of the Auction Agency Agreement and the Market Agent Agreement shall be acceptable to the Series 2001B&C Credit Issuer.

(2) The Market Agent and Auction Agent may be removed by the Bond Registrar, acting at the direction of the Series 2001B&C Credit Issuer. Any successor Market Agent or Auction Agent must be acceptable to the Series 2001B&C Credit Issuer.

(3) The Series 2001B&C Credit Issuer's consent shall be required for any change in Interest Payment Dates that requires interest payments on ARCs to be made more frequently than twice a month. The Series 2001B&C Credit Issuer shall receive notice of each change in the Interest Payment Date and Auction Date for ARCs.

Section 17.8. Claims Upon the Series 2001B&C Credit Facility and Payments by and to the Series 2001B&C Credit Issuer. If, on the third business day prior to the related scheduled interest payment date or principal payment date (“**Payment Date**”) there is not on deposit with the Paying Agent, after making all transfers and deposits required under the Bond Ordinance, moneys sufficient to pay the principal of and interest on the Modal Bonds insured by the Series 2001B&C Credit Issuer due on such Payment Date, the Paying Agent shall give notice to the Series 2001B&C Credit Issuer and to its designated agent (if any) (the “**Series 2001B&C Credit Issuer’s Fiscal Agent**”) by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such business day. If, on the second business day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on such Modal Bonds due on such Payment Date, the Paying Agent shall make a claim under the Series 2001B&C Credit Facility and give notice to the Series 2001B&C Credit Issuer and the Series 2001B&C Credit Issuer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and



the allocation of such deficiency between the amount required to pay interest on such Modal Bonds and the amount required to pay principal of such Modal Bonds, confirmed in writing to the Series 2001B&C Credit Issuer and the Series 2001B&C Credit Issuer's Fiscal Agent by 12:00 noon, New York City time, on such second business day by filling in the form of Notice of Claim and Certificate delivered with the Series 2001B&C Credit Facility.

In the event the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Bond Registrar shall authenticate and deliver to affected Bondholders who surrender their Modal Bonds a new Modal Bond or Modal Bonds in an aggregate principal amount equal to the unredeemed portion of the Modal Bond surrendered. The Bond Registrar shall designate any portion of payment of principal on Modal Bonds paid by the Series 2001B&C Credit Issuer, whether by virtue of mandatory sinking fund redemption, maturity, or other advancement of maturity, on its books as a reduction in the principal amount of Modal Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Modal Bond to the Series 2001B&C Credit Issuer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations); provided that the Bond Registrar's failure to so designate any payment or issue any replacement Modal Bond shall have no effect on the amount of principal or interest payable by the City on any Modal Bond or the subrogation rights of the Series 2001B&C Credit Issuer.

The Paying Agent shall keep a complete and accurate record of all funds deposited by the Series 2001B&C Credit Issuer into the Policy Payments Account and the allocation of such funds to payment of interest on and principal paid in respect of any Modal Bond. The Series 2001B&C Credit Issuer shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent.

Upon payment of a claim under the Series 2001B&C Credit Facility the Paying Agent shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "**Policy Payments Account**" and over which the Paying Agent shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under the Series 2001B&C Credit Facility in trust on behalf of insured Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent to Bondholders in the same manner as principal and interest payments are to be made with respect to the Modal Bonds under the sections hereof regarding payment of Modal Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses, or liabilities of the Paying Agent.

Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Series 2001B&C Credit Issuer.



Section 17.9. Information To Be Furnished to Series 2001C Credit Issuer. As long as the Series 2001C Credit Facility is in full force and effect, the City shall provide the Series 2001C Credit Issuer with the following information:

(a) within 120 days after the end of each Fiscal Year, the budget for the succeeding year, the annual audited financial statements for the preceding Fiscal Year, a statement of the amount on deposit in the Debt Service Reserve Account as of the last valuation, and, if not presented in the audited financial statements, a statement of the Pledged Revenues in each such Fiscal Year;

(b) the Official Statement or other disclosure document, if any, prepared in connection with the issuance of additional debt secured by Pledged Revenues, whether or not it is on parity with the Series 2001C Bonds, within 30 days after the sale thereof;

(c) notice of any drawing upon or deficiency due to market fluctuation in the amount, if any, on deposit in the Debt Service Reserve Account;

(d) notice of the redemption, other than mandatory sinking fund redemption, of any of the Series 2001C Bonds insured by the Series 2001C Credit Issuer, or of any advance refunding of the Series 2001C Bonds insured by the Series 2001C Credit Issuer, including the principal amount, maturities, and CUSIP numbers thereof;

(e) simultaneously with the delivery of the annual audited financial statements, a statement of:

(1) the number of System connections as of the end of the Fiscal Year;

(2) notification of the withdrawal of any System user comprising 5% or more of System sales measured in terms of revenue dollars since the last reporting date;

(3) any significant System plant retirements or expansions planned or undertaken since the last reporting date;

(4) maximum and average daily usage for the Fiscal Year;

(5) updated capital plans for expansion and improvement projects; and

(6) results of annual engineering inspections, if any, occurring at the end of the Fiscal Year;

(f) a full transcript of all proceedings relating to the adoption of any Supplemental Ordinance; and

(g) such additional information as the Series 2001C Credit Issuer may reasonably request from time to time.



Section 17.10. Redemption Notices (Series 2001C Credit Facility). As long as the Series 2001C Credit Facility is in full force and effect, notice of any redemption of Series 2001C Bonds insured by the Series 2001C Credit Issuer shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient moneys to pay the full redemption price of such Series 2001C Bonds to be redeemed, or (ii) be sent only if sufficient moneys to pay the full redemption price of such Series 2001C Bonds to be redeemed is on deposit in the applicable fund or account.

Section 17.11. Events of Default and Remedies (Series 2001C Credit Facility). (a) As long as the Series 2001C Credit Facility is in full force and effect, in determining whether a payment default has occurred or whether a payment on the Series 2001C Bonds has been made under the Bond Ordinance, no effect shall be given to payments made under the Series 2001C Credit Facility.

(b) As long as the Series 2001C Credit Facility is in full force and effect, any acceleration of the Series 2001C Bonds insured by the Series 2001C Credit Issuer or any annulment thereof shall be subject to the prior written consent of the Series 2001C Credit Issuer (if it has not failed to comply with its payment obligations under the Series 2001C Credit Facility).

(c) As long as the Series 2001C Credit Facility is in full force and effect, the Series 2001C Credit Issuer shall receive immediate notice of any payment default and notice of any other default known to the Paying Agent or the City within 30 days of the Paying Agent's or the City's knowledge thereof.

(d) As long as the Series 2001C Credit Facility is in full force and effect, for all purposes of Article VII of the Master Ordinance, except the giving of notice of default to Bondholders, the Series 2001C Credit Issuer shall be deemed to be the sole holder of the Series 2001C Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Series 2001C Credit Facility.

(e) As long as the Series 2001C Credit Facility is in full force and effect, the Series 2001C Credit Issuer shall be entitled to (i) notify the City, the Paying Agent, or any applicable receiver of the occurrence of an Event of Default and (ii) request the receiver to intervene in judicial proceedings that affect the Series 2001C Bonds insured by it or the security therefor. The Paying Agent or receiver shall accept notice of default from the Series 2001C Credit Issuer.

Section 17.12. Supplemental Ordinances (Series 2001C Credit Facility). As long as the Series 2001C Credit Facility is in full force and effect, any Supplemental Ordinance shall be subject to the prior written consent of the Series 2001C Credit Issuer. Any Rating Agency rating the Series 2001C Bonds must receive notice of each such Supplemental Ordinance and a copy thereof at least 15 days in advance of its adoption.



Section 17.13. Defeasance (Series 2001C Credit Facility). As long as the Series 2001C Credit Facility is in full force and effect, in the event of an advance refunding, the City shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling.

Section 17.14. Payment under the Series 2001C Credit Facility. (a) If, on the third day preceding any Interest Payment Date for the Series 2001C Bonds insured by the Series 2001C Credit Issuer there is not on deposit with the Paying Agent sufficient moneys available to pay all principal of and interest on such Series 2001C Bonds due on such date, the Paying Agent shall immediately notify the Series 2001C Credit Issuer and State Street Bank and Trust Company, N.A., New York, New York or its successor as its Fiscal Agent (the "Fiscal Agent") of the amount of such deficiency. If, by such Interest Payment Date, the City has not provided the amount of such deficiency, the Bond Registrar shall simultaneously make available to the Series 2001C Credit Issuer and to the Fiscal Agent the registration books for such Series 2001C Bonds maintained by the Bond Registrar. In addition:

(1) the Paying Agent shall provide the Series 2001C Credit Issuer with a list of the Bondholders entitled to receive principal or interest payments from the Series 2001C Credit Issuer under the terms of the Series 2001C Credit Facility and shall make arrangements for the Series 2001C Credit Issuer and its Fiscal Agent (i) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from the Series 2001C Credit Issuer and (ii) to pay principal of such Series 2001C Bonds surrendered to the Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from the Series 2001C Credit Issuer; and

(2) the Bond Registrar shall, at the time it makes the registration books available to the Series 2001C Credit Issuer pursuant to (1) above, notify Bondholders entitled to receive the payment of principal of or interest on the Series 2001C Bonds from the Series 2001C Credit Issuer (A) as to the fact of such entitlement, (B) that the Series 2001C Credit Issuer will remit to them all or part of the interest payments coming due subject to the terms of the Series 2001C Credit Facility, (C) that, except as provided in paragraph (b) below, in the event that any Bondholder is entitled to receive full payment of principal from the Series 2001C Credit Issuer, such Bondholder must tender his Series 2001C Bond with the instrument of transfer in the form provided on the Series 2001C Bond executed in the name of the Series 2001C Credit Issuer, and (D) that, except as provided in paragraph (b) below, in the event that such Bondholder is entitled to receive partial payment of principal from the Series 2001C Credit Issuer, such Bondholder must tender his Series 2001C Bond for payment first to the Paying Agent, which shall note on such Series 2001C Bond the portion of principal paid by the Paying Agent, and then, with an acceptable form of assignment executed in the name of the Series 2001C Credit Issuer, to the Fiscal Agent, which will then



pay the unpaid portion of principal to the Bondholder subject to the terms of the Series 2001C Credit Facility.

(b) In the event that the Bond Registrar has notice that any payment of principal of or interest on a Series 2001C Bond insured by the Series 2001C Credit Issuer has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Bond Registrar shall, at the time it provides notice to the Series 2001C Credit Issuer, notify all Bondholders that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from the Series 2001C Credit Issuer to the extent of such recovery, and the Paying Agent shall furnish to the Series 2001C Credit Issuer its records evidencing the payments of principal of and interest on such Series 2001C Bonds that have been made by the Paying Agent and subsequently recovered from Bondholders, and the dates on which such payments were made.

(c) The Series 2001C Credit Issuer shall, to the extent it makes payment of principal of or interest on the Series 2001C Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2001C Credit Facility and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Bond Registrar shall note the Series 2001C Credit Issuer's rights as subrogee on the registration books maintained by the Bond Registrar upon receipt from the Series 2001C Credit Issuer of proof of the payment of interest thereon to the Bondholders of such Series 2001C Bonds and (2) in the case of subrogation as to claims for past due principal, the Bond Registrar shall note the Series 2001C Credit Issuer's rights as subrogee on the registration books for the Series 2001C Bonds maintained by the Bond Registrar upon receipt of proof of the payment of principal thereof to the Bondholders of such Series 2001C Bonds. Notwithstanding anything in the Bond Ordinance or the Series 2001C Bonds to the contrary, the Paying Agent shall make payment of such past due interest and past due principal directly to the Series 2001C Credit Issuer to the extent that the Series 2001C Credit Issuer is a subrogee with respect thereto.

Section 17.15. Notice Addresses (Series 2001C Credit Facility). The notice addresses for the Series 2001C Credit Issuer and the Fiscal Agent are:

Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017
Attention: Risk Management

State Street Bank and Trust Company, N.A.
61 Broadway
New York, New York 10006
Attention: Corporate Trust Department

[End of Article XVII]



ARTICLE XVIII

MISCELLANEOUS PROVISIONS

Section 18.1. Continuance and Effect of Prior Ordinance. The City hereby confirms the existence and applicability of the Prior Ordinance and ratifies, restates, and reaffirms its representations, warranties, covenants, and agreements and all of the applicable terms, conditions, and provisions as set forth in the Prior Ordinance and as supplemented and amended by this Series 2001 Ordinance. Except where otherwise expressly indicated in this Series 2001 Ordinance, the provisions of the Prior Ordinance are to be read as part of this Series 2001 Ordinance as though copied verbatim herein, and provisions of this Series 2001 Ordinance shall be read as additions to, and not as substitutes for or modifications of (except as otherwise specifically provided herein), the provisions of the Prior Ordinance. Except as expressly amended, modified, or supplemented by this Series 2001 Ordinance, all of the terms, conditions, and provisions of the Prior Ordinance shall remain in full force and effect. In executing and delivering this Series 2001 Ordinance, the City shall be entitled to all powers, privileges, and immunities afforded to the City and shall be subject to all the duties, responsibilities, and obligations of the City under the Prior Ordinance. Except as expressly amended, modified, or supplemented by this Series 2001 Ordinance, all of the terms, conditions, and provisions of the Prior Ordinance are hereby declared applicable to and broadened and extended so as to cover the Series 2001 Bonds and shall for all purposes apply to the Series 2001 Bonds as if the Series 2001 Bonds had been originally issued under the authority of the Prior Ordinance simultaneously with the Prior Bonds.

Section 18.2. Designation of Bond Registrar and Paying Agent for the Series 2001 Bonds. The City hereby designates The Bank of New York, New York, New York, as Bond Registrar and Paying Agent for the Series 2001 Bonds.

Section 18.3. Validation of Series 2001 Bonds. The City shall deliver a certified copy of this Series 2001 Ordinance with an appropriate notice signed by the Attesting Officer to the District Attorney for the Atlanta Judicial Circuit accompanied by the request that the District Attorney proceed with the validation of the Series 2001 Bonds.

Section 18.4. Sale of Series 2001 Bonds. (a) The City shall sell the Series 2001A Bonds to the Underwriter for the price of \$409,168,581.94 plus accrued interest to the date of payment and delivery of the Series 2001A Bonds. The Chief Officer is hereby authorized to execute and deliver, on behalf of the City, a purchase contract between the City and the Underwriter, providing for the sale of the Series 2001A Bonds. The execution and delivery of a purchase contract by the Chief Officer shall constitute conclusive evidence of the ratification, confirmation, and approval by the City of the terms and conditions of the purchase contract.

(b) The City shall sell the Series 2001B Bonds to the Underwriter for the price of 99.815884% of the aggregate principal amount thereof. The Chief Officer is hereby authorized to execute and deliver, on behalf of the City, a purchase contract between the City and the Underwriter, providing for the sale of the Series 2001B Bonds. The execution and delivery of a purchase contract by the Chief Officer shall constitute conclusive evidence of the ratification, confirmation, and approval by the City of the terms and conditions of the purchase contract.



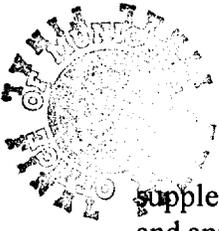
(c) The City shall sell the Series 2001C Bonds to the Underwriter for the price of 99.579361% of the aggregate principal amount thereof. The Chief Officer is hereby authorized to execute and deliver, on behalf of the City, a purchase contract between the City and the Underwriter, providing for the sale of the Series 2001C Bonds. The execution and delivery of a purchase contract by the Chief Officer shall constitute conclusive evidence of the ratification, confirmation, and approval by the City of the terms and conditions of the purchase contract.

Section 18.5. Official Statements. The use and distribution of Preliminary Official Statements and Official Statements with respect to the Series 2001 Bonds shall be and is hereby authorized, ratified, confirmed, and approved, and the execution and delivery of such Official Statements in final form shall be and is hereby authorized, ratified, confirmed, and approved. The Chief Officer is hereby authorized and directed to ratify, confirm, approve, execute, and deliver such Official Statements on behalf of the City, and the execution of such Official Statements by the Chief Officer shall constitute conclusive evidence of the Chief Officer's ratification, confirmation, approval, and delivery thereof on behalf of the City.

Section 18.6. Effective Date. This Series 2001 Ordinance shall take effect immediately upon its adoption.

Section 18.7. Repeal of Conflicting Ordinances and Resolutions. Any and all ordinances and resolutions, or parts of ordinances or resolutions, if any, in conflict with this Series 2001 Ordinance are hereby repealed.

Section 18.8. General Authorization. From and after the date of adoption of this Series 2001 Ordinance, the officials, employees, and agents of the City are hereby authorized to do all such acts and things and to execute and deliver any and all other documents, agreements, certificates (including, without limitation, the Series 2001 Disclosure Certificate), and instruments as may be necessary or desirable in connection with the execution, delivery, and sale of the Series 2001 Bonds, the investment of the proceeds of the Series 2001 Bonds, and the execution, delivery, and performance of the Series 2001 Escrow Agreement, the Tender Agreement, the Remarketing Agreement, the Series 2001B&C Liquidity Facility, the Series 2001 Swap Agreement, the Series 2001 Swap Insurance Agreement, Confirmation #3, Confirmation #4, Confirmation #5, and Amended Confirmations #1 and #2 and the transactions contemplated on the part of the City by the Bond Ordinance. The Chief Officer and Attesting Officer are hereby authorized and directed to prepare and furnish to the purchasers of the Series 2001 Bonds, when the Series 2001 Bonds are issued, certified copies of all proceedings and records of the City relating to the Series 2001 Bonds or to this Series 2001 Ordinance, and such other affidavits and certificates as may be required to show the facts relating to the legality and marketability of the Series 2001 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them. All such certified copies, certificates, and affidavits, including any heretofore furnished, shall constitute representations of the City as to the truth of all statements contained therein.



Section 18.9. Bond Ordinance Constitutes a Contract. This Series 2001 Ordinance supplements and amends a contract with the Bondholders binding the City, and therefore it is proper and appropriate for the Chief Officer to execute the same on behalf of the City and for the Attesting Officer to attest the same.

CITY OF ATLANTA

(SEAL)

By

A large, stylized handwritten signature in black ink, written over a horizontal line.

Mayor

Attest:

A handwritten signature in black ink, written over a horizontal line.

Municipal Clerk

Approved As To Form:

A handwritten signature in black ink, written over a horizontal line.

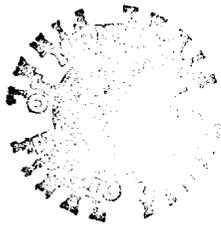
City Attorney



EXHIBIT A

**ITEMS REQUIRED TO BE FURNISHED TO THE CITY TO
AUTHORIZE THE ISSUANCE OF PARITY BONDS PURSUANT
TO THE PROVISIONS OF ARTICLE V OF THE MASTER
ORDINANCE**

[Attached]



BLACK & VEATCH CORPORATION

1145 Sanctuary Parkway, Suite 475, Alpharetta, Georgia 30004 (770) 751-7517

December 5, 2001

Mayor and City Council
City of Atlanta
68 Mitchell Street, SW
Atlanta, GA 30335

Ladies and Gentlemen:

We are pleased to submit this report to be included as an appendix to the official statement ("Official Statement") prepared by the City of Atlanta ("City") in connection with the issuance of up to \$962,255,000 Water and Wastewater Revenue Bonds, Series 2001 ("Series 2001 Bonds"). The report provides information with respect to the organization, operations, management and rates of the City's water distribution and treatment, and wastewater collection and treatment systems ("System"), presents comments on existing facilities and the Capital Improvement Program ("CIP"), and provides information concerning financial factors relating to the Series 2001 Bonds. The preparation of this report included reviews of the records and plans of the Department of Public Works and the Department of Water, visual inspection of certain above-ground water and wastewater conveyance and treatment facilities, discussions with key personnel of the various Departments, and other investigations we deemed appropriate and necessary.

Comments on the System and the CIP are presented in the first two sections of the report. The third section of the report contains financial, parity test, and debt service coverage information. A listing of the key opinions developed as a result of our studies is presented in the fourth section at the end of this report.

Black & Veatch Corporation ("Black & Veatch") is one of the largest, and most experienced consulting engineering firms in the world. Founded in 1915, Black & Veatch employs more than 9,000 people engaged in financial, economic, and engineering studies, and design of power, water, and wastewater facilities for clients in government and industry. The firm has extensive experience in the design and analysis of the operation and financing of water and sewerage systems serving communities ranging in size from small villages to large metropolitan and regional systems.

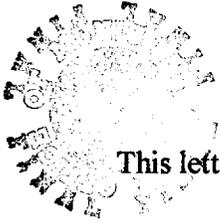


The standards or requirements referenced in this report as being applicable, being fulfilled, or to be attained, are those promulgated by the United States Environmental Protection Agency (“EPA”) and the State of Georgia’s Department of Natural Resources, Environmental Protection Division (“EPD”). Capitalized terms not otherwise defined shall have the same meaning as ascribed to them in the Official Statement. References to specific years are for the fiscal years ending December 31, unless otherwise noted.

The System has been improved through the addition of a significant volume of capital improvements over the past two years, but continued major upgrading as well as ongoing rehabilitation and replacement is needed to maintain compliance with established requirements. The evaluations described in this report are based on estimates of the degree of improvement resulting from such projects and from the current CIP, and reports regarding the system’s effectiveness in meeting environmental requirements.

The City accumulates funds to finance capital improvements from a number of sources. The City began funding this generation of capital improvements with the issuance of the Series 1993 Bonds in the amount of \$252,705,000. The City subsequently issued \$266,955,000 Series 1997 First and Second Lien Bonds to fund the ongoing program. In 1999, the City issued the Series 1999 Water and Wastewater Revenue Bonds in the amount of \$1,108,745,000. The funds were used to refund outstanding debt in the amount of \$508,827,000 and to fund new capital improvements in the amount of \$458,948,000. The difference of \$140,970,000 is associated with transaction costs related to the issue of the Series 1999 Bonds. In addition, contributions to the CIP come directly or indirectly from a number of participating local governments including Clayton County, Coweta County, DeKalb County, and Fulton County, and the cities of East Point, Hapeville, and College Park. The City also funds capital improvements through the use of excess revenues deposited in the System’s Renewal and Extension Fund.

The water system operates under a consent order signed in December 1997, which defines numerous capital project and other initiatives that the City has agreed to implement. In 1998 and 1999 settlements were reached with the EPA and EPD relating to the wastewater reclamation centers and wastewater collection system, and the Combined Sewer Overflow system. The First Amended Consent Order and the Consolidated CSO Consent Order specify capital improvements that will be made to the wastewater collection and treatment systems and CSO Facilities, respectively, in order to resolve all outstanding Consent Order requirements. Additional improvements have been identified to meet regulatory requirements, and to meet Renewal and Extension needs. In total, the Capital Improvement Program (CIP) details all of the improvements needed to meet the aforementioned objectives over a fourteen year period. At this time, the City is seeking funding for certain prioritized improvements which represent a subset of the total CIP. These projects are described in Section II of this report. The need for future improvements will be reevaluated based on potential environmental impacts, amendments to Consent Orders, regulatory changes, and affordability considerations.



This letter report is organized into four sections:

- I. SYSTEM ORGANIZATION AND MANAGEMENT
- II. CAPITAL IMPROVEMENT PROGRAM
- III. FINANCIAL PROJECTIONS AND DEBT SERVICE COVERAGE
FOR THE 2001 BONDS
- IV. ADDITIONAL BONDS TEST
- V. OPINIONS

I. SYSTEM ORGANIZATION AND MANAGEMENT

1.1 System Overview and Organization

The City has the responsibility for operating and managing a water distribution and treatment system (“Water System”), and a wastewater collection and treatment system (“Wastewater System”). The Water and Wastewater Systems operate as a self-sustaining, non-profit enterprise fund of the City.

The Water System includes a raw water supply with a permitted withdrawal of 180 million gallons per day (“mgd”), two water treatment plants with a combined permitted capacity of 201 mgd, and an interest in a third water treatment plant with a 45 mgd allocation to the City; three major pumping stations with a combined pumping capacity of 458 mgd, and a water distribution system that consists of more than 2,150 miles of pipe. The Wastewater System includes 16 pumping stations, over 2,200 miles of combined and sanitary sewer lines, four wastewater treatment plants with a current maximum monthly capacity of 220 mgd and seven Combined Sewer Overflow treatment facilities. Approximately 148,212 active water connections and 112,165 sewer connections are served.

The City’s Water Department is responsible for overall planning, construction, operation and maintenance of the water treatment facilities and distribution system. To achieve more cost-effective operation of the Water System, the City contracted with United Water Services Unlimited Atlanta LLC to provide the City with operation and maintenance services for certain water system functions. United Water Services Unlimited of Atlanta, LLC is a joint venture with 65 percent ownership by United Water Services, a subsidiary of Ondeo North American Inc., and 35 percent ownership by Williams-Russell and Johnson, Inc. United Water Services Unlimited Atlanta LLC (United Water Atlanta) is responsible for the operation and maintenance of the water treatment, transmission and distribution system, customer service and billing functions, as well as certain capital improvement activities, with



oversight being provided by the Department of Water and Brown & Caldwell. The contract became effective on January 1, 1999 and has a term of 20 years.

The Wastewater System is operated and maintained by the City's Department of Public Works. The Wastewater Services Division, a division within the Department of Public Works, is responsible for the planning, design, construction, operation and maintenance of the City's wastewater pumping and treatment facilities. The Sewer Operations Division, also a division of the Department of Public Works is responsible for installing and maintaining the City's sewer collection system.

Financial planning and analysis for the System are performed by the Enterprise Operations Division of the Department of Finance's Bureau of Financial Analysis and Auditing.

As of October 2001, the System's organization consisted of the following staff positions:

	<u>Positions Authorized*</u>	<u>Positions Filled*</u>
Wastewater System		
Sewer Operations Division	404	333
Wastewater Services Division	<u>410</u>	<u>359</u>
Total Wastewater System	814	692
Water System	<u>23</u>	<u>22</u>
Total Water**	23	22
Total Water and Wastewater System	837	714

* Provided by the City of Atlanta's Bureau of Financial Analysis.

** Represents city staff, remaining staff provided by United Water Services Unlimited of Atlanta.



Exhibit 1a is an organization chart of the management structure of City departments involved in water and wastewater finance and management. Financial aspects of the City's utility functions are handled through the City's Finance Department, primarily through the Bureau of Financial Analysis and Auditing.

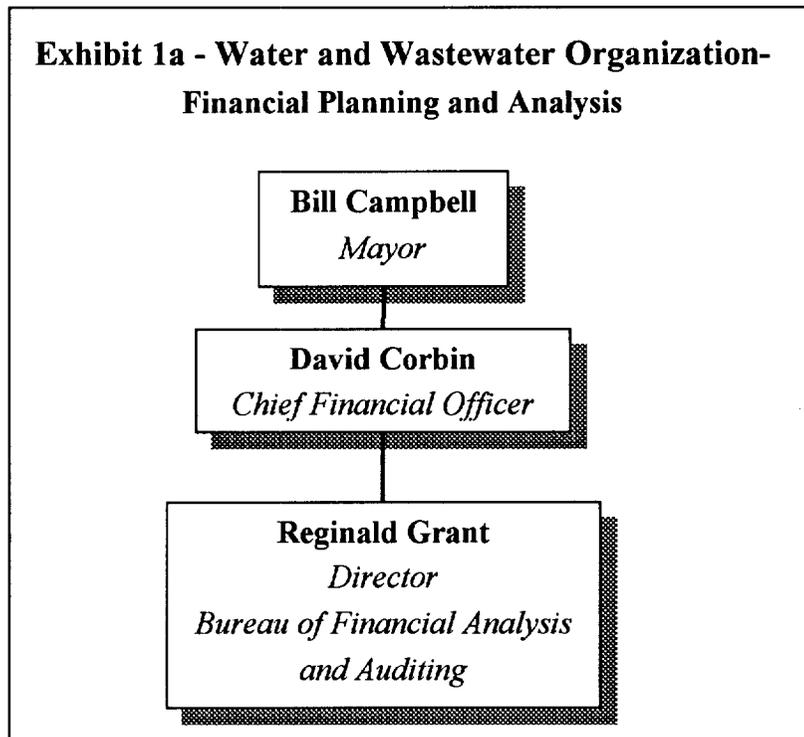
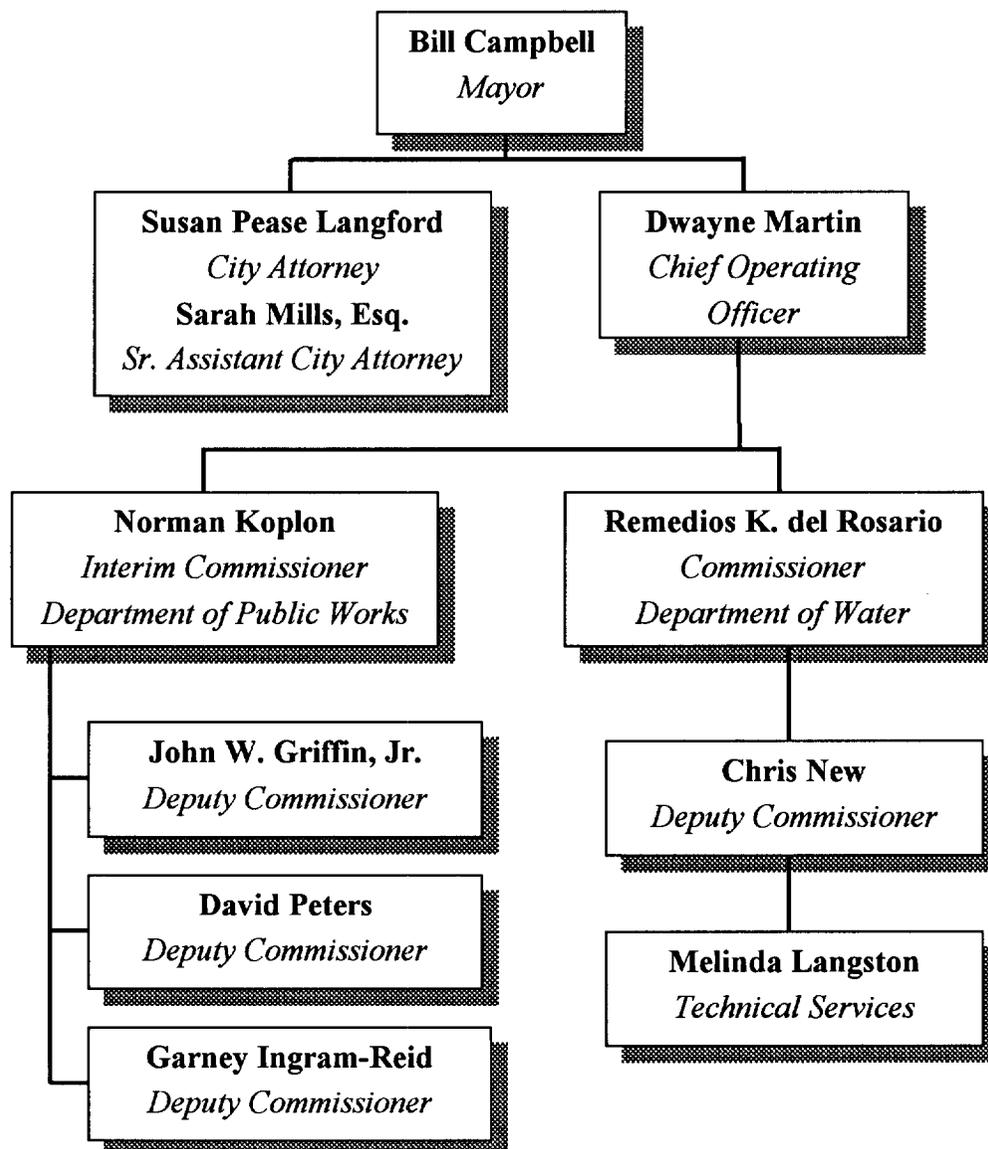


Exhibit 1b on the following page depicts the organization charts of the management structure of City departments involved in water and wastewater management and operations. The Department of Water is responsible for the management and operation of the City's water system, and the Department of Public Works is responsible for management and operation of the City's wastewater collection, wastewater treatment, and combined sewer systems.

The Department of Water is adequately staffed and key management personnel have qualifications and experience commensurate with their responsibilities. The existing management structure is supplemented for special projects through the provision of assistance by consulting firms, and will be further enhanced through the planned addition of personnel to the Department of Water to provide monitoring and contract management for both the United Water Atlanta operations contract and capital improvements.

The Department of Public Works is also adequately staffed, and is supplemented by the services of a program management team which is assisting in the areas of capital planning, consent order monitoring, and project management. Additionally, the Public Works Department has begun enhancing its staff qualifications by increasing staff training as related to the significant improvements at the City's wastewater treatment plants, as well as budgeting an additional one million dollars for staff training related to the sanitary sewer and combined sewer collection systems.

**Exhibit 1b - Water and Wastewater Organization-
Departments of Water and Public Works**





1.2 System Description

1.2.1 Water System

The Water System serves approximately 148,212 residential, industrial, commercial, government, and wholesale accounts, comprising approximately 1,000,000 persons, with an average water demand of 119.5 mgd. The service area covers the cities of Atlanta, Fairburn, Union City, and Hapeville, and portion of the counties of Fulton, Clayton and Fayette. Through a recently executed Wholesale Water Service Agreement, the City of Atlanta will begin providing water service to Coweta County beginning in January 2002. The agreement with Coweta County anticipates delivering up to 2.8 MGD in 2002 with an increase to 11.9 MGD in 2010. Coweta County provided \$5 million up front to pay for water mains. Because of the new transmission main to Coweta County, the City of Atlanta can now serve additional areas in South Fulton County where retail service is provided.

The raw water source for the Water System is the Chattahoochee River. There are three major water treatment complexes, each of which consists of pump stations, water treatment systems and settled solids handling facilities. They are the Hemphill Water Treatment Plant, the Chattahoochee Water Treatment Plant and the Atlanta-Fulton County Water Treatment Plant (jointly owned by the City of Atlanta and Fulton County) located in Alpharetta, in northern Fulton County. Exhibit 2 summarizes the water treatment plants and their various capacities.

Exhibit 2 - Water Treatment Plants and Capacities

<u>Plant</u>	<u>Permitted Capacity</u> (mgd)	<u>Firm Pumping</u> <u>Capacity</u> (mgd) (a)	<u>2000 Production (b)</u> (mgd)
Hemphill	136	140	53
Chattahoochee	64	290	50
Atlanta-Fulton County (Atlanta share)	<u>45</u>	<u>45</u>	<u>16.5</u>
Total	<u>245</u>	<u>475</u>	<u>119.5</u>

(mgd) Million gallons per day

(a) With largest pumping unit out of service

(b) Average daily flow

The distribution of water sales by customer class is: Residential 56%, Commercial 33%, Wholesale 5%, Government 3%, and Industrial 3%. These percentages are virtually unchanged from the condition during 1999, which reflects stability in the City's customer base.



The City's customers use water for a wide variety of purposes, which includes seasonal uses for irrigation and other outdoor functions. However, the seasonal pattern of water use is less variable somewhat in Atlanta, with peaks in water consumption being somewhat less pronounced than other systems in the southeast. Commercial water usage is a stabilizing influence, showing little variation during the year. Industrial water demand is relatively flat seasonally, and has declined slightly in recent years.

Due to a lack of any other observed trends, domestic and wholesale water consumption, as well as wastewater flow, have been assumed to correspond to population trends. The overall population growth in the service area is relatively flat with significant increases available only through new wholesale service agreements.

1.2.2 Wastewater System

The Sewer Operations Division is responsible for maintenance and rehabilitation of over 2,200 miles of combined and sanitary sewer lines and construction of new lines. The area served by the combined sewers comprises approximately 18.5 square miles and is concentrated in the central business district and surrounding area. Pipe sizes range from 8 to 132 inches in diameter for combined and sanitary sewers. The collection system consists of lateral, collection and trunk sewers which convey wastewater from the source to a treatment facility.

The Wastewater Services Division in the Department of Public Works is responsible for operation and maintenance of the wastewater treatment plants known as water reclamation centers ("WRCs"). The WRCs provide advanced secondary treatment and post chlorination to meet effluent standards. The R.M. Clayton WRC serves the northern section of the City, part of north Fulton County, and portions of DeKalb County. A small portion of Gwinnett County had previously been served by the City through DeKalb County but Gwinnett facilities have been upgraded and the county no longer receives wastewater collection services from the City.

The Utoy Creek WRC serves the west and southwest sections of the City and a small area in southern Fulton County; the South River WRC serves the southeastern section of the City, portions of south Fulton County, Clayton County, and the city of Hapeville, and a very small part of East Point. The Intrenchment Creek WRC serves the eastern section of the City and a small area of DeKalb County. The Intrenchment Creek WRC is a trickling filter plant which discharges through a force main and gravity sewer into the aeration basins of the South River plant for further treatment. Exhibit 3 presents data on the capacity and wastewater flows at the plants.



Exhibit 3 - Wastewater Treatment Plants and Capacities

<u>Plant</u>	<u>Current Maximum Monthly Capacity*</u> (mgd)	<u>2000 Maximum Month Daily Flow*</u> (mgd)	<u>Current Peak Hydraulic Capacity*</u> (mgd)
R.M. Clayton	122	78	240
South River	54	33	85
Utoy Creek	44	29	90
Total	<u>220</u>	<u>140</u>	<u>415</u>

* Provided by the City of Atlanta's Director of Wastewater Services

The WRCs operated by the Wastewater Services Division serve an area of 225 square miles.

1.3 Physical Condition Evaluation

Visual inspections were conducted to evaluate most of the System's major above-ground facilities, using three evaluation criteria: Good, Adequate, and Poor. This simplified evaluation framework is designed to facilitate a focus on the essential characteristics of the City's facilities, and to communicate the important conclusions to an audience interested in the financial implications of facility condition assessments. Detailed engineering analyses are not performed, but facilities are assessed to determine the ability to provide continuing service in the future.

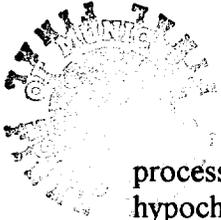
The three ratings are:

Good: The facility is in a condition to provide reliable operation in accordance with design parameters. This ranking is the highest available, and is given to facilities that require routine maintenance only.

Adequate: The facility is operating at or near design levels; however, non-routine renovation, upgrading, and repairs are needed to assure continued reliable operation.

Poor: The facility cannot be operated within design parameters. Major renovations are required to restore the facility to reliable operation.

The Hemphill Water Treatment Plant is rated to be in Good condition. This plant has benefited from a number of significant capital improvements over the last few years. The oldest filters dating to 1923 and the 1941 filters were recently rehabilitated. The disinfection



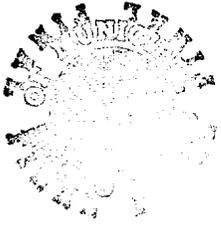
process was changed from application of chlorine gas to application of liquid sodium hypochlorite, effectively eliminating the risk of an accidental chlorine discharge. The use of chlorine gas has been discontinued in all City of Atlanta treatment facilities. In addition, the steam-powered pumping station is expected to be retired within a year, and the newly-constructed electric pumping station brought to full operation. Delays in the construction of the final connections of the pumping station to the transmission system and litigation have delayed this project, however construction is now ongoing. Significant improvements have also been made recently to the administrative and maintenance facilities at the Hemphill plant. The plant is rated to be in Good condition.

The Chattahoochee Water Treatment Plant is newer than the Hemphill Plant and is rated to be in Adequate condition. The plant is currently under construction for improvements to the solids handling system. The sedimentation, filters and chemical addition facilities all appeared to be in Adequate condition. Some equipment rehabilitation may be necessary as some of it is reaching the end of its expected useful life. The solids removal portion of the plant is currently operating with temporary equipment until new facilities are built.

The Chattahoochee Raw Water pumping station is in Good condition. The laboratory at the intake facilities is currently being refurbished. Other above ground water facilities such as pumping stations and storage tanks are rated Good. Below ground facilities such as transmission lines, distribution mains, and metering are rated Adequate and would benefit from an increase in the level of replacements.

The R.M. Clayton, Utoy Creek, and South River Water Reclamation Centers (WRCs) have all improved their ratings from Adequate to Good since the time of the last bond issue. These WRCs have undergone extensive upgrading to be able to meet new phosphorus limits using a biological process, as well as to provide more efficient operation. All three WRCs now provide tertiary treatment and attain excellent effluent quality. Housekeeping and general operations at these facilities appear to be quite good. The Intrenchment Creek WRC is in Adequate condition. Improvements made at this plant in the recent past include new headworks infrastructure, capacity increases to the effluent pump station, construction of a digester cover and gas handling improvements, upgrades to electrical systems, and construction of additional storage for managing peak wet weather flows. The Intrenchment Creek plant discharge is further treated at the South River WRC.

The Intrenchment Creek Combined Sewer Overflow (CSO) control facilities have been upgraded to improve screening for trash and floatables control, control systems and other upgrades to improve ability to meet water quality standards. Included in the improvements was the conversion of disinfection from chlorine gas to liquid sodium hypochlorite. These facilities are rated Good. All the City's CSO facilities are relatively new to brand new, and all are rated Good.



II. CAPITAL IMPROVEMENT PROGRAM

2.1 Introduction

The City has made significant capital investments to upgrade the System since 1999 and this program is ongoing. The City funded many of its 1999 through 2003 water and wastewater projects through the issuance of the Series 1999 revenue bonds, contributions from participating area governments, and internally generated funds. Since the issuance of the Series 1999 revenue bonds, the City has retained a program management consultant to assist with developing and managing the wastewater treatment, and wastewater collection and transmission capital improvement program (the Atlanta Wastewater Systems Improvement Program, also known as AWSIP). The AWSIP is a comprehensive program that projects capital improvements, and monitoring and reporting over the next fourteen years.

The water system Capital Improvement Program (Water CIP) was developed by City staff. The Water CIP has been developed to meet all Safe Drinking Water Act guidelines and any funds needed for Renewal and Extension projects.

The AWSIP project needs are categorized as those being needed for 1) meeting the CSO Consent Order, 2) required to meet the First Amended Consent Order, 3) required to meet regulatory compliance, and 4) needed to fund Renewal and Extension Fund projects. It should be noted that these projects have been compiled and recommended by the program management team to address a wide variety of issues.

Exhibit 4, below, summarizes and categorizes the overall AWSIP and Water CIP projects and estimated costs. It is important to note that the City, through its CIP review and approval process, will be reviewing the recommended improvements on an ongoing basis and prioritizing the projects to be authorized and completed. The City must consider issues such as environmental stewardship, accommodation of development, and affordability in ultimately determining which projects to fund. The entire CIP, as it presently stands, would require significant rate increases over a series of years. The City has initiated discussions with EPA and EPD regarding the timing and scope of the program to ensure its overall affordability.



Exhibit 4 – 2002 to 2014 Capital Improvement Programs*

WASTEWATER AND CSO CAPITAL IMPROVEMENTS

Wastewater – Required to Meet CSO Consent Order

CSO Remedial Measure Plan	\$953,000,000
CSO Related Separation Projects	\$20,770,000
CSO CD Program Management	\$35,643,000
City Program Management Staff	<u>\$11,287,200</u>
Total to Meet CSO Consent Order	\$1,020,700,200

Wastewater- Required to Meet First Amended Consent Order

CD Listed Capital Improvements Projects	\$10,603,000
SSO Remedial Projects	\$864,512,000
SSO Related Projects	\$10,000,000
Special Projects	\$3,500,000
FACD Program Management	\$33,105,000
City Program Management Staff	\$11,254,800
General Sewer Improvements	<u>\$30,000,000</u>
Total to Meet First Amended Consent Order	\$962,974,800

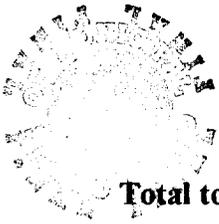
Wastewater- Required to Meet Regulatory Compliance

Priority Category Regulatory NPDES

WRC Regulatory Driven Projects	\$25,861,000
Sanitary Forcemain Related Projects	\$7,695,000
WRC – Intrenchment Creek	\$1,000,000
CSO – Related Projects	\$3,000,000
Bio-Solids Projects	\$75,000,000
Annual Sewer Rehabilitation Contracts	<u>\$153,000,000</u>
Total for Priority Regulatory – NPDES	\$265,556,000

Priority Category: Regulatory – TMDL

Long Term Watershed Monitoring	<u>\$8,000,000</u>
Total for Priority Regulatory- TMDL	\$8,000,000



Total to Meet Regulatory Compliance **\$273,556,000**

Wastewater – Renewal & Extension Fund Projects

WRC Regulatory Driven Projects	\$3,606,000
Pump Stations	\$14,462,000
Sanitary Force main Related Projects	\$43,413,000
CSO Improvements	\$1,105,000
Operations Implementations	\$1,400,000
Refunding R.M Clayton – WRC Improvements	\$14,056,000
WRC - South River	\$17,099,000
WRC - Utoy Creek	\$8,960,000
WRC – Entrenchment Creek	\$1,718,000
CSO – Related Projects	\$150,280,000
CSO CD Program Management	\$27,164,000
Long Term Separation	\$266,000,000
City Program Management Staff	<u>\$11,037,501</u>
Total for Priority Category Renewal & Extension	\$560,300,501

TOTAL – WASTEWATER/CSO CAPITAL COST **\$2,817,531,501**

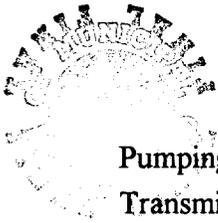
WATER CAPITAL IMPROVEMENT PROJECTS

Water –Consent Order Related

Source of Supply	\$9,915,000
Water Treatment	\$73,435,000
Pumping	\$553,000
Transmission & Distribution	\$5,545,000
General	<u>\$2,901,000</u>
Water- Consent Order Related	\$92,349,000

Water - Non-Consent Related Projects

Source of Supply	\$693,000
Water Treatment	\$10,137,000



Pumping	\$8,340,000
Transmission & Distribution	\$539,816,000
Distribution Storage	\$22,898,000
Service Lines	\$17,833,000
Meters	\$11,212,000
General	<u>\$9,843,000</u>
Water- Non-Consent Order Projects	\$620,722,000
<i>TOTAL – WATER CAPITAL IMPROVEMENT COST</i>	\$713,121,000
<i>GRAND TOTAL – ALL CAPITAL COSTS</i>	\$3,530,652,501

*PMT – Capital Improvement Projects, November 13, 2001

As indicated above, the Series 2001 bond issuance is structured to accommodate a portion of the above listed CIP. The following paragraphs address the improvements proposed to be funded by this Series 2001 revenue bond issue.

The CIP review include the followings:

- Review of numerous documents, summaries, worksheets, databases, and reports generated by the AWSIP team,
- Review of CIP documents developed by City’s Program Management staff, and
- Discussions with members of the City Public Works, Water, and Finance Departments as well as with the City’s consultants and attorneys.

The review of the various elements of the CIP were focused on understanding the relationship of the CIP to regulatory requirements and to non-regulatory identified system needs. The review was limited to examination of City documents and documents prepared by AWSIP or other City consulting firms or teams, as well as interviews with City staff and consultants.

The City and its consulting teams have determined that the CIP represents a comprehensive approach towards meeting the System's regulatory requirements, and that the CIP, if completed, would meet regulatory deadlines and performance. The Black & Veatch review supports these conclusions.



We also sought to determine whether the level of planned capital improvement was appropriate given the system's age and condition as reflected by our knowledge of the system and as supplemented by visual inspections.

These issues are addressed in the following sections as part of and subsequent to a discussion of regulatory requirements and CIP development.

2.2 *Water System*

2.2.1 *Regulatory Requirements*

The System is subject to regulation under the Safe Drinking Water Act. EPD has primacy for enforcement of this Act in Georgia. The City monitors compliance issues, and certifies that it continues to be in compliance with all applicable regulations.

2.2.2 *CIP Development*

The Water CIP has been designed to comply with the Federal surface water treatment requirements under the Safe Drinking Water Act and to improve overall water quality and system reliability. The CIP is developed by Water Department staff in concert with Finance Department staff as well as outside consulting firms.

2.2.3 *Water CIP*

In August 1995, the joint venture of CH2M Hill/Khafra Engineering Consultants completed a Distribution System Master Plan 2020 ("Master Plan") for the Water System. The Master Plan was the culmination of a 2 ½-year effort that included creating a detailed computer model of the water system. The Master Plan presents a recommended series of improvements which, when implemented, will serve the current and future customers of the City of Atlanta until year 2025.

The Master Plan serves as a comprehensive guide for the Water Department in making future capital improvements. However, it does not include an assessment of the current condition of the distribution system nor does it address rehabilitation and replacement needs. These needs are continuously assessed by the Department. In prior years, the City had spent approximately \$1.7 million per year on lining and cleaning of water mains 8 inches or larger in diameter. In 1999 and 2000, the City focused on replacement of older cast iron mains 6 inches in diameter, or less. The City reports that it has authorized the replacement of 50,130 feet of water main from January 1999, to August 2001 at a cost of \$2,091,000. Given the age of the Water System, it appears that the City is taking a prudent approach by increasing the focus on replacement as compared to relining.



The Water System CIP includes the following projects.

Chattahoochee- Install New Flocculators. The existing flocculator mechanisms are corroded and worn and need to be replaced so as to properly function.

Chattahoochee- Raw Water Reservoir. Design and construction of a raw water reservoir for the Chattahoochee Treatment Plant. It is desired to construct this project to provide raw water storage for the plant in the event of river contamination and shutting down the intake as well as to provide for detention for reduced turbidity of plant influent. The reservoir should have a capacity of approximately 65MG. This will also enhance the reliability of the system.

Hemphill Treatment Plant – Raw Water Reservoir Repairs. Reservoir #1 has a storage volume of approximately 180 MG. The reservoir has been out of service since 1990 when the dikes were raised 5 feet for additional storage. Following completion of the dike raising, seepage was discovered in the dam on the north end of the site. During installation of piezometric wells a void was discovered in the above general area. There is a current contract with the PRAD Group to complete phase III and IV for the final design for corrective action and construction management assistance. Phase I and II of the A/E Contract has been completed.

Hemphill Treatment Plant – Repair Leaks/Clearwell #1. The old clearwell leaks due to the method of the original design and construction and now must be corrected to stop the leakage which eventually goes to Division I of the plant.

Chattahoochee Treatment Plant- 2nd Sludge Thickener. Design and construction of a second sludge thickener at the Chattahoochee Treatment plant to process plant wastewater and reduce volume of solids re-circulated to the head of the plant. Required by Georgia EPD as a backup to the 1st Sludge Thickener.

Chattahoochee Treatment Plant – 2nd Sludge Thickener. Design and construct a 2MG (approximately) holding tank for regulating plant discharges to the R.M. Clayton Wastewater Plant to avoid creating "Slugs" of process waste to their process. This will also alleviate the possibility of illegal discharges to the Chattahoochee river for which the City of Atlanta has been cited. A pump station and forcemain will be necessary to transfer the wastewater to the Clayton Plant. Flows may be reduced through further improvements in treatment processes and better maintenance and replacement or repairs to leaking valves and/or other equipment.

Exhibit 5 presents the major projects in the Water System CIP to be funded with the Series 2001 Bond issue. It must be recognized that the Department continues to refine the projects, and the cost estimates are subject to change.

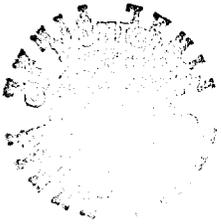


Exhibit 5 – Water System CIP

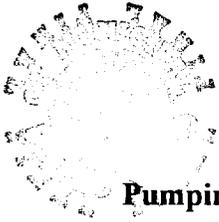
Water –Consent Order Related

Source of Supply

River Sill Improvement	<u>\$5,532,570</u>
Total Source of Supply	\$5,532,570

Water Treatment

CTP –Unpermitted Discharge Prevention	\$1,059,000
Chattahoochee Raw Water Reservoir	\$3,124,500
CTP- Sedimentation Basin Repair	\$605,000
CTP - Filter Control System Replacement	\$306,000
HTP – Flocculation Basin Repair	\$2,548,000
CTP- Upgrade Chemical Storage and Feeds	\$3,623,000
HTP - Raw Water Reservoir Repairs	\$5,000,000
HTP- Bulk Chemical Feed System	\$1,682,000
CTP- Replace Influent Valve/Meter	\$757,000
CTP- Install New Flocculators	\$3,831,000
CTP – Replace 24" Bypass at Chemical House	\$101,000
CTP- Repair Leaks from Clearwell	\$397,000
CTP- Replace All Filter Valves	\$553,000
HTP- Replace Lime System with Slurry Tanks	\$605,000
HTP- Replace Rate of Flow Controllers	\$111,000
HTP- Div I & Div II Clarifiers/Stormwater Separation	\$2,911,000
HTP- Stormwater/Process Water Separation	\$1,985,000
HTP- Replace All Filter Valves	\$1,110,000
HTP- Repaint Clarifiers	\$252,000
HTP- Rplace Valves in Gallary	\$776,000
HTP- Replace Ring Gears in Basins	\$237,000
HTP- Repair Leaks/Clearwell #1	\$3,473,000
CTP - 2nd Sludge Thickener	\$5,000,000
CTP – Backwash Water Holding Tank	\$5,068,000
CTP – Repaint Washwater/Alum Tanks	<u>\$200,000</u>
Total Water Treatment	\$45,314,500



Pumping

HTP- Div I & Div II/Replace Electrical Panels	<u>\$553,000</u>
Total Pumping	\$553,000

Transmission & Distribution

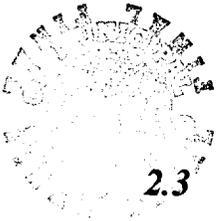
CTP- Sedimentation Basin Clarifiers	\$2,017,000
HTP- Sedimentation Basin Clarifiers	<u>\$3,528,000</u>
Total Transmission & Distribution	\$5,545,000

General

CTP- Dehumidifiers	\$1,456,000
River Intake- Replace Dehumidifier	\$331,000
HSSF- Dehumidifiers	\$199,000
HTP- Div I & Div II Dehumidifiers	\$265,000
Safety	<u>\$650,000</u>
Total General	\$2,901,000

Total Consent Order Related	\$59,846,070
------------------------------------	---------------------

TOTAL WATER CIP TO BE FUNDED	\$59,846,070
-------------------------------------	---------------------



2.3 Wastewater System

2.3.1 Regulatory Requirements

Collection System

The City is responsible for the construction and maintenance of its wastewater treatment and collection system. Spills and overflows occur from sewer systems, especially during wet weather. As previously mentioned, the EPA and the City have entered into two Consent Orders that specify actions to be taken by the City including capital improvements monitoring, and reporting, among others. The Consent Orders specify in detail a schedule of fines and penalties to be paid by the City for spills, unpermitted discharges, failure to meet Consent Orders, and failure to meet submittal schedules. The City has paid approximately \$676,000 as of October 2001 and projects that total penalties to be paid through calendar year 2001 will be less than \$1 million. The annual level of fines have declined steadily from 1999. Penalties in 1999 were \$1,682,000, and in 2000 were \$1,290,000. The most common causes of spills include inadequate capacity, insufficient maintenance, deterioration of old sewers, and blockages by roots, debris, and grease. The CIP addresses these deficiencies, and it is expected that penalties will continue to decline as the proposed projects as implemented.

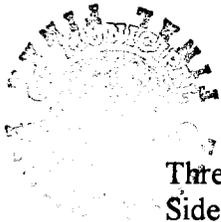
Wastewater Treatment Facilities

The system's wastewater treatment facilities are authorized to discharge treated wastewater pursuant to National Permit Discharge Elimination System ("NPDES") permits issued by EPD. All WRCs (except Intrenchment Creek which discharges to the South River plant) and Combined Sewer Overflow ("CSO") treatment facilities have NPDES permits. The NPDES permits implement the Federal Clean Water Act ("Federal Act") on behalf of EPA, and the Georgia Water Quality Control Act ("Georgia Act"). EPD and EPA enforce NPDES permits.

The wastewater treatment facilities have generally complied with the effluent limitations set forth in the NPDES permits during the last three years, and the City was awarded the Association of Metropolitan Sewer Agencies (AMSA) 2000 Gold Peak Performance Awards for the R.M. Clayton, Utoy Creek, and South River WRCs.

Combined Sewer Overflow Treatment Facilities

The City of Atlanta covers approximately 144 square miles, of which an approximately 19 square mile portion is served by a combined sewer system. The Wastewater System includes seven CSO treatment facilities that discharge into small streams that flow into either the South River or the Chattahoochee River. In compliance with the requirements of EPA and EPD, the City is providing treatment at all CSO locations.

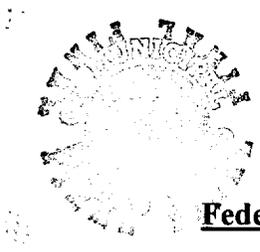


Three CSO treatment facilities (McDaniel St., Custer and Intrenchment Creek CSOs) ("East Side CSOs") are located in the Intrenchment Creek and South River drainage collectively, the basins. The East Side CSOs, were constructed in 1986 as part of the Three Rivers Water Quality Management Program. The City, EPA and EPD assigned a high priority to the construction of these facilities because the overflows were contributing to serious water quality degradation and dissolved oxygen deficiencies downstream in the South River. Following the completion of the CSO facilities construction, water quality in the South River has shown significant improvement.

Four additional CSO treatment facilities ("West Side CSOs") were constructed in the mid-1980s in the Chattahoochee River Basin (West Side) - Clear Creek, Proctor Creek-Greensferry, Proctor Creek-North Avenue, and Tanyard Creek. The City paid approximately \$18 million in fines to EPD for late construction before the last two CSO construction projects were completed in late 1997 and early 1998. The West Side CSOs all discharge into existing concrete drainage channels constructed by the City in the 1920s, which then flow into small urban streams leading to the Chattahoochee River.

In 1995, the City was sued by a number of parties, including the Upper Chattahoochee Riverkeeper, for violations of the Federal Act and the Georgia Act. The court dismissed allegations regarding the phosphorus reduction program described herein and common law nuisance claims, but found that the City violated Federal and state water pollution laws with regard to the City's operation of its Tanyard Creek, Proctor Creek-North Avenue and Proctor Creek-Greensferry CSO treatment facilities. The City and citizen plaintiffs settled the lawsuit in a final Consolidated Consent Order ("CSO Consent Order") in which the EPA and EPD joined. The CSO Consent Order dealing with the combined sewer system had entered as a final order on September 24, 1998 and first amended December 20, 1999. To comply, the City approved a \$9.2 million contract with the joint venture of CH2M Hill/TOC to study what operations, maintenance, management and remedial measures can be taken to improve water quality in CSO areas to comply with Georgia water quality standards and the CSO facility NPDES permits. The study involved intensive monitoring and evaluation of the existing CSO facilities, the affected streams, and ongoing permit compliance support. The study identified improvements needed to bring CSO receiving streams into compliance with water quality standards. The CSO Consent Order also required expenditures of \$2.5 million for stream cleanup for removal of debris from urban streams below all of the CSO facilities and \$25 million for purchase of land for greenways, which will be paid out of both the operating and capital budget. EPA and EPD will maintain the authority to approve or veto any upgrading plans submitted by the City. To date, the City has paid the \$2.5 million for stream cleanup and has paid approximately \$9 million of the \$25 million for purchase of land for greenways.

The CSO Consent Order includes a detailed schedule of stipulated penalties for late delivery of submissions, late construction of capital projects, failure to implement management, operations and maintenance programs, and violation of applicable effluent limitations. The CSO Consent Order also provides EPA and EPD with contingent authority for imposition of a ban on further sewer connections in basins where CSO capital improvements are delayed unreasonably or fail to achieve their objective.



Federal/State Enforcement Action

Concurrent with the lodging of the Consent Order for the CSO facilities, EPA and EPD filed an enforcement action against the City, on July 13, 1998, alleging that the City violated the Federal Act, Georgia Act and its NPDES by discharging wastewater that exceeded the monthly and weekly effluent limitations, failing to properly operate and maintain the WRCs and CSO treatment facilities, allowing release of untreated wastewater, and monitoring and reporting violations. EPA and EPD requested relief from the court including an order directing the City to comply with the Federal Act, Georgia Act and NPDES permits, with penalties of \$25,000 per day for each violation before January 1, 1997 and \$27,500 thereafter, and other relief the court may deem appropriate.

Remedial Measures and Affordability

An analysis outlining the financial impacts and addressing affordability issues was submitted to the EPA and EPD in March of 2001. The report demonstrated the financial impacts the Consent Orders would have on the residential customers of the City's system. Wastewater rates would triple, cost to residents would be more than two percent of median household income, and rate payments would increase to more than five percent of household income for 25 percent of the city's residents by 2007. These factors provided support for the City's request to implement longer schedules for the consent Order programs and to obtain additional financial sources of grants, loans, and other financial assistance. The City continues discussions with EPA and EPD, and fully intends to pursue such negotiations to a successful conclusion.

Biosolids Management

The City of Atlanta operates two biosolids incinerator installations with two incinerators at the R.M. Clayton WRC which burn biosolids generated at that facility, and two incinerators at the Utoy Creek WRC which burn biosolids generated at the Utoy Creek WRC, as well as some biosolids from the South River WRC. The remaining biosolids from South River and the Intrenchment Creek plants are currently landfilled. Incinerator ash generated at the Utoy facility is recycled by a brick manufacturer. As a result of U.S. EPA regulations enacted in 1993, a study was conducted to assess the incinerators at each location and to define the improvements required to meet the regulations.

In 1997, the City retained Black & Veatch to conduct a study to evaluate alternatives to incineration. Based on the study and input from the public, the City has decided to pursue a program of beneficial reuse of the solids generated at all four water reclamation facilities. In the interim, changes have been made to meet the 40 CFR Part 503 regulatory requirements until the beneficial reuse program can be implemented. Modifications have been made to one of the incinerators at the R.M. Clayton WRC to meet the 40 CFR Part 503 requirements for total hydrocarbon emissions control. The modifications include additional burners, exhaust



gas recycle equipment, a new scrubber, and a new control system. Continuous emissions monitoring systems (CEMS) have been installed at the R.M. Clayton WRC and the Utoy Creek WRC. The incinerators at the Utoy Creek WRC have been tested and are projected to meet total hydrocarbon emissions standards without further modification.

The City has issued a Request for Proposals for a Design/Build/Operate (D/B/O) contract to manage the biosolids generated at all four wastewater treatment plants. Proposals have been received and are currently being evaluated. The scope of the D/B/O contract provides for a single corporate entity to provide for the design, construction, and operation of residuals handling facilities, and operation of existing facilities and equipment from the start date until facilities and equipment to provide the beneficial reuse are constructed. Following the construction of facilities, the biosolids generated at the four wastewater treatment plants will be managed by the contract operator; the total operations term is twenty years. The methods of treatment and disposal for the beneficial reuse biosolids program will be as proposed by the successful contract proponent. The contract operator will be responsible for digestion, dewatering, treatment, and disposal of all biosolids generated at all four wastewater treatment plants.

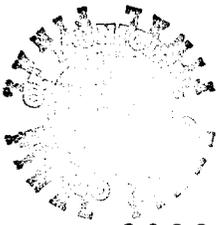
The estimated capital costs for new facilities and equipment to implement the beneficial reuse program are included in the Wastewater System CIP. Expected operating costs are included in the proposed 2002 operation budget.

2.3.2 CIP Development

2.3.2.1 Wastewater Services Division

The Wastewater Services Division creates its capital improvements plan (CIP) in response to the requirements of the Consent Order governing the City's management of its wastewater reclamation centers. Past projects have addressed phosphorus removal requirements and general plant improvements related to more efficient management of biosolids.

The program management team (PMT) has worked with city staff to develop a list of capital projects reflecting the spending needs of each facility. Additional wastewater services projects for inclusion in the CIP were selected by the individuals managing each WRC. Being familiar with daily operational needs, the managers were able to identify and prepare a list of projects they consider most important to improving plant effectiveness and efficiency. The CIP list is further refined through joint reviews by the Divisions and the Department of Public Works and a separate review by the Bureau of Financial Analysis and Auditing.



2.3.2.2 Sewer Operations Division

The Sewer Operations Division has a thorough process for identification of CIP projects. Since much of the growth within the City of Atlanta's sewer service area is related to redevelopment of existing buildings, expansions and requests for new services have been limited. Many of the proposed projects involve sewer rehabilitation and replacement.

Most sewer projects were developed by City staff working in collaboration with the Program Management Team in response to consent order requirements. Additional sources of CIP projects are problems identified by the public, by the public through Georgia EPD, or directly from Georgia EPD and the Consent Orders. These requests are compiled and immediately classified as emergency or non-emergency. Non-emergency requests are consolidated for further review.

In addition to construction projects the city is undertaking an extensive program to increase cleaning and video inspection of the sewer system. Any defects identified immediately become projects to be added to the CIP. Indications of possible problems result in more elaborate testing procedures.

Selection of the final division projects for the CIP follows a path similar to the Wastewater Services Division. Since Sewer Operation Division is under the purview of the Department of Public Works, the sewer CIP is reviewed by the Public Works Department and Bureau of Financial Analysis and Auditing. In both cases the program management team (PMT) guides and supplements city staff in the creation of the CIP.

2.3.3 Wastewater CIP

The CIP consists of the following major project areas:

- Combined Sewer Overflow ("CSO") Facilities Improvements
- Wastewater Facilities Improvements
- Sewer Improvement Program

2.3.3.1 Combined Sewer Overflow Improvements

CSO facilities are required to meet water quality standards, and are specifically required by the City's CSO Consent Order dated September 24, 1998. The City has developed a CSO Facility Evaluation program which was approved by EPA/EPD in 1999. The City continues to execute the tasks in the consent order, which includes numerous meetings and analytical



efforts in addition to the specified projects. Manhole inspections, SSES investigations, and micro-modeling are all proceeding, as well as environmental investigations to assess the environmental benefit of improvements which have been completed.

The CSO CIP includes the following projects.

Consolidated Storage Tunnels- West Tunnel. The scope and alignment of the CSO tunnels are subject to change, based upon the current pre-design effort.. The construction would require three construction shafts. The total distance would be 58,500 LF, with a finished diameter of 24-feet, to provide a 199 MG storage capacity. The remedial measures plan assumed 50% tunnel lining. The plan also assumed procurement of the design consultant would begin concurrent with the pre-design.

Point Fixes, Capacity Upgrades in Combined Area. This project is part of the CSO Remedial Measures Plan, April 2001. It covers the point fixes and capacity upgrades associated with the combined area, as required for compliance with the SSO consent order. This project covers all projects which may have capacity issues which may drive Building Moratoriums within the Combined Sewer Service area.

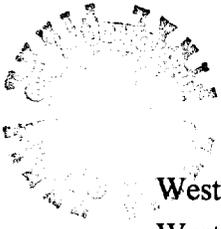
East Area CSO – Partial Separation –PHI- Custer. This project is for the partial separation (phase I) of the Custer Sewer Basin in the CSO area. This project is based upon the current GIS/SSES and mapping effort underway. The project is based upon a total of 112,450 Linear Feet.

Exhibit 6 below presents estimated costs for the CSO-related projects that will be funded using the Series 2001 revenue bonds. The projects are the result of extensive study and are from the CIP which has been approved by the EPA and EPD.

Exhibit 6 -- CSO Program Costs

CSO Remedial Measures Plan

Consolidate Storage Tunnels - West Tunnel	\$56,627,956
Consolidate Storage Tunnels - East Tunnel	\$14,520,044
New CSO Treatment Plant	\$7,700,000
Intrenchment Creek WRC Upgrade Pipeline/Storage	\$12,936,000



West Area CSO Partial Separation PH1 Clear Creek	\$2,078,384
West Area CSO Partial Separation PH1 Tanyard	\$1,267,420
West Area CSO Partial Separation PH1 North Ave	\$4,182,178
West Area CSO Partial Separation PH1 Greensferry	\$2,773,232
East Area CSO Partial Separation PH1 McDaniel	\$5,259,870
East Area CSO Partial Separation PH1 Custer	\$14,314,916
CSO SSES & Mapping Pre Design	\$5,000,000
Dechlorination Upgrades at CSO's West	\$1,155,000
Dechlorination Upgrades at CSO's East	\$1,155,000
Point Fixes, Capacity Upgrades in Combined Areas	\$20,199,718
Tanyard Creek CSO Relief Improvements	<u>\$11,833,000</u>
Total CSO Remedial Measure Plan	\$161,002,718

CSO Related Projects

Atlantic Steel Separation Above Tanyard Basin	\$1,770,000
Atlantic Steel Separation (Lower Section) Tanyard Basin	<u>\$10,000,000</u>
Total CSO Related Projects	\$11,770,000

CSO CD Program Management

MWH/Khafra Program Management –Capital Projects	<u>\$11,324,000</u>
Total CD Program Management	\$11,324,000

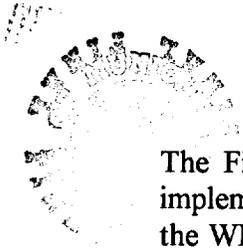
City Program Management Staff

City Program Management Staff -Capital Projects	<u>\$613,200</u>
Total City Program Management Staff	\$613,200

Total for Priority Category CSO Consent Order **\$184,709,918**

2.3.3.2 Wastewater Facilities Improvements

The wastewater facilities CIP is a comprehensive program for upgrading all of the City's WRCs and pumping stations to allow the City continue to reliably and efficiently meet phosphorus limits and other permit requirements.



The First Amended Consent Order specified many improvements that were required to be implemented. The City has essentially completed all of the capital improvements relating to the WRCs. The City has developed a state-of-the-art phosphorus removal process which will meet the unique needs of the service area while also having the flexibility to adapt to potentially more stringent future standards.

The capital improvements required by the Consent Order that have been completed to date include:

General Wastewater Reclamation Center Improvements

- Maintenance Management System Project
- Maintenance Training Program
- Operations Program
- Operations Training Program
- Safety Program
- Laboratory Information Management System
- Pretreatment Program

RM Clayton WRC

- New headworks, including screening and vortex grit removal system
- Five additional clarifiers and effluent venturi meters
- New mixed liquor pumping station
- 2 Aeration Blowers Phase 3

South River WRC

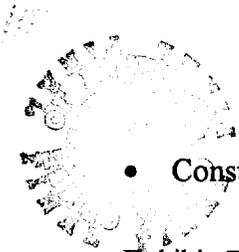
- New Effluent filters
- New headworks, including screening and vortex grit removal system

Utoy Creek WRC

- UV Disinfection Facilities
- Filtration Facilities
- Bar Screens & Grit Removal
- Complete Construction of 4 Biological Phosphate Removal Tanks

Intrenchment Creek

- Construction of backup power generators



- Construction of off-line storage basins

Exhibit 7 presents capital improvement projects for wastewater facilities and sewer operations that have been identified for funding using series 2001 revenue bonds and their estimated cost. The capital improvements are the result of a major effort by City staff and the PMT to determine the specific improvements which will be required to meet the terms of the consent order, and have been approved by the EPA and EPD.

The Wastewater and Sewer CIP includes:

SSES – Group 2. This project work will be based upon the work associated with the completion of the Macro System Evaluation Report.

Nancy Creek Tunnel. The proposed Nancy Creek Tunnel and Pump Station is a combined conveyance and storage tunnel project. The basis of determining the storage tunnel size and pump station capacity is to keep the maximum inflow capacity during peak wet weather flow at no more than 180 MGD. The tunnel is approximately 43,700 LF long, with a finished diameter which varies from 10' diameter to 18' diameter. The minimum storage volume is 60 MG. The Tunnel will be constructed with 3 tunnel boring machines using 3 separate runs, which require three construction shafts. The construction shafts are approximately 150' deep and 35' diameter. The Tunnel project starts at the convergence of Johnson Ferry Rd and Nancy Creek and runs to the R.M. Clayton WRC. The Tunnel includes approximately 2,200 linear feet of Spur tunnels.

Nancy Creek Tunnel Pump Station. This pump station is a wet pit/dry pit configuration, with approximate depth of 150' deep. This proposed project is to be procured as a Design/Build contract.

Exhibit 7 -- Wastewater & Sewer Improvements

CD Listed Capital Improvement Projects

Indian Creek Trunk Relief Sewer Phase 3 & 4	<u>\$10,603,000</u>
Total CD Listed Capital Improvement Projects	\$10,603,000

SSO Remedial Projects



SSES- Sewer Group	\$10,000,000
Rehabilitation –Group 1	\$6,702,712
SSES- Group 2	\$22,345,000
Nancy Creek Tunnel	\$120,500,000
Nancy Creek Tunnel Pump Station	\$30,000,000
Nancy Creek – Diversion Project	<u>\$13,000,000</u>
Total SSO Remedial Projects	\$202,547,712

SSO - Related Projects

Carver Homes- Atlanta Housing Development	<u>\$10,000,000</u>
Total SSO- Related Projects	\$10,000,000

Special Projects

Strategic Wastewater Management Plan	<u>\$3,500,000</u>
Total Special Projects	\$3,500,000

FACD Program Management

MWH/Khafra Program Management - Capital Projects	<u>\$15,840,000</u>
Total FACD Program Management	\$15,840,000

City Program Management Staff

City Program Management Staff – Capital Projects	<u>\$586,800</u>
Total City Program Management Staff	\$586,800

General Sewer Improvements

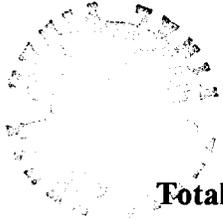
General Sewer Improvements Allowance	<u>\$30,000,000</u>
Total General Sewer Improvements	\$30,000,000

Total for First Amended Consent Order **\$273,077,512**

**Wastewater- Required to Meet Regulatory Compliance
Priority Category Regulatory –NPDES**

General Sewer Improvements

General WRC, P.S. & Transmission system Improvements	<u>\$32,366,500</u>
Total General Sewer Improvements	\$32,366,500



Total for Priority Category Regulatory – NPDES

\$32,366,500

2.3.3.3 Sewer Operations Division

The sewer improvement program consists of replacement and rehabilitation of a number of aging sewers throughout the City. These improvements are necessary to enable the collection system to function properly. Many upgrades have been completed to telemetry and instrumentation equipment at major pump stations, and extensive modeling has been conducted. SSES work is ongoing and is resulting in the identification of projects which have been included in the CIP.

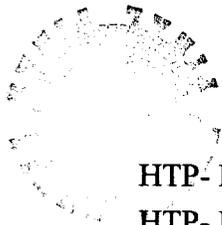
2.4 Summary of CIP Funded by Series 2001 Bonds

Proceeds from the 2001 Series Bonds will be used to fund \$550,000,000 in capital improvements. Of that total, \$490,153,930 will be provided to the sewer related CIP, \$59,846,070 in water related projects. The following table summarizes the CIP funded by the Series 2001 Bonds:

Exhibit 8 – Summary of 2002 /2003 CIP Funded by Series 2001 Bonds

Water Projects

River Sill Improvement	\$5,532,570
CTP –Unpermitted Discharge Prevention	\$1,059,000
Chattahoochee Raw Water Reservoir	\$3,124,500
CTP- Sedimentation Basin Repair	\$605,000
CTP - Filter Control System Replacement	\$306,000
HTP – Flocculation Basin Repair	\$2,548,000
CTP- Upgrade Chemical Storage and Feeds	\$3,623,000
HTP - Raw Water Reservoir Repairs	\$5,000,000
HTP- Bulk Chemical Feed System	\$1,682,000
CTP- Replace Influent Valve/Meter	\$757,000
CTP- Install New Flocculators	\$3,831,000
CTP – Replace 24" Bypass at Chemical House	\$101,000
CTP- Repair Leaks from Clearwell	\$397,000
CTP- Replace All Filter Valves	\$553,000
HTP- Replace Lime System with Slurry Tanks	\$605,000



HTP- Replace Rate of Flow Controllers	\$111,000
HTP- Div I & Div II Clarifiers/Stormwater Separation	\$2,911,000
HTP- Stormwater/Process Water Separation	\$1,985,000
HTP- Replace All Filter Valves	\$1,110,000
HTP- Repaint Clarifiers	\$252,000
HTP- Replace Valves in Gallery	\$776,000
HTP- Replace Ring Gears in Basins	\$237,000
HTP- Repair Leaks/Clearwell #1	\$3,473,000
CTP - 2nd Sludge Thickener	\$5,000,000
CTP - Backwash Water Holding Tank	\$5,068,000
CTP - Repaint Washwater/Alum Tanks	\$200,000
HTP- Div I & Div II/Replace Electrical Panels	\$553,000
CTP- Sedimentation Basin Clarifiers	\$2,017,000
HTP- Sedimentation Basin Clarifiers	\$3,528,000
CTP- Dehumidifiers	\$1,456,000
River Intake- Replace Dehumidifier	\$331,000
HSSF- Dehumidifiers	\$199,000
HTP- Div I & Div II Dehumidifiers	\$265,000
Safety	<u>\$650,000</u>
Total Water Projects	<u>\$59,846,070</u>

CSO Projects

Consolidate Storage Tunnels - West Tunnel	\$56,627,956
Consolidate Storage Tunnels - East Tunnel	\$14,520,044
New CSO Treatment Plant	\$7,700,000
Intrenchment Creek WRC Upgrade Pipeline/Storage	\$12,936,000
West Area CSO Partial Separation PH1 Clear Creek	\$2,078,384
West Area CSO Partial Separation PH1 Tanyard	\$1,267,420
West Area CSO Partial Separation PH1 North Ave	\$4,182,178
West Area CSO Partial Separation PH1 Greensferry	\$2,773,232
East Area CSO Partial Separation PH1 McDaniel	\$5,259,870
East Area CSO Partial Separation PH1 Custer	\$14,314,916
CSO SSES & Mapping Pre Design	\$5,000,000
Dechlorination Upgrades at CSO's West	\$1,155,000
Dechlorination Upgrades at CSO's East	\$1,155,000
Point Fixes, Capacity Upgrades in Combined Areas	\$20,199,718

Tanyard Creek CSO Relief Improvements	\$11,833,000
Atlantic Steel Separation Above Tanyard Basin	\$1,770,000
Atlantic Steel Separation (Lower Section) Tanyard Basin	\$10,000,000
MWH/Khafra Program Management –Capital Projects	\$11,324,000
City Program Management Staff -Capital Projects	<u>\$613,200</u>
Total CSO Projects	<u>\$184,709,918</u>

Wastewater & Sewer Projects

Indian Creek Trunk Relief Sewer Phase 3 & 4	\$10,603,000
SSES- Sewer Group	\$10,000,000
Rehabilitation –Group 1	\$6,702,712
SSES- Group 2	\$22,345,000
Nancy Creek Tunnel	\$120,500,000
Nancy Creek Tunnel Pump Station	\$30,000,000
Nancy Creek – Diversion Project	\$13,000,000
Carver Homes- Atlanta Housing Development	\$10,000,000
Strategic Wastewater Management Plan	\$3,500,000
MWH/Khafra Program Management - Capital Projects	\$15,840,000
City Program Management Staff – Capital Projects	\$586,800
General Sewer Improvements Allowance	\$30,000,000
General WRC, P.S. & Transmission System Improvements	<u>\$32,366,500</u>
Total Wastewater & Sewer Projects	<u>\$305,444,012</u>

The City expects to use Project Fund investment earnings on the Series 2001 Bonds to pay for any cost overruns in the above-described projects, and to pay for a portion of the costs of the CIP described elsewhere in this report. The costs of the above-described projects are subject to change as the plans and specifications are refined and amended. The City expects to use any excess proceeds of the Series 2001 Bonds after the completion of the above-described projects to pay for a portion of the costs of the CIP described elsewhere in this report.



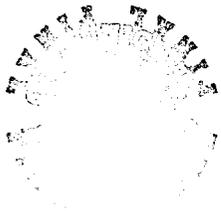
III. FINANCIAL PROJECTIONS AND DEBT SERVICE COVERAGE FOR THE 2001 BONDS

The projected revenue and operating costs in Exhibit 9 were prepared based upon information and assumptions set forth in the audited historical financial statements for the City of Atlanta Water & Sewerage Fund, the current budget, the Operating and Maintenance Agreement between the City and the United Water Services Atlanta LLC, sewer service agreements, and the City's estimates of future economic conditions and population growth. The achievement of any projections of future happenings will be affected by economic, demographic, and weather conditions, as well as being dependent upon the occurrence of other future events and conditions such as public policy initiatives which cannot be ensured or predicted.

Specifically, the projections provided in Schedule A assume that recommended rate increases will occur on a timely basis, and that the CIP will be completed as scheduled with no changes in conditions or costs, and with no fines being levied above amounts currently reflected in the budget. Further, operating conditions are assumed to closely reflect those depicted in the current budget, which provides the basis for the development of projections of future costs. Therefore, the actual financial requirements and performance of the utility may vary from the estimates presented here, and such variations could be material.

The projections indicate that under the conditions reflected herein the City's Water and Sewerage Fund will generate operating revenue of approximately \$200 million in 2002, increasing at a steady pace to approximately \$252 million by 2006. Operating expenses (net of depreciation) are projected to increase from approximately \$113 million in 2002 to \$124 million in 2006. The result would be net revenues available for debt service of \$104 million in 2002, increasing to \$140 million by 2006.

Evaluation of the relationship between revenues and expenditures is most efficiently done by examining debt service coverage ratios. The debt service coverage ratios in Schedule A compare net revenues available for debt service to projected net debt service reflecting current obligations as well as obligations for the 2001 bonds. Under the assumptions made in this analysis, it is projected that debt service coverage will decrease from 1.91 in 2002, to 1.39 in 2004, and then increase back up to 1.45 by 2006. These coverage ratios demonstrate the City's ability to manage the 2001 bonds.

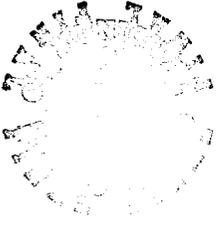


Schedule A – Projected Debt Service Coverage (in \$000)

Fiscal Year Ending December 31

	<u>2000*</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Note</u>
Operating Revenues								
Water Sales	\$79,170	\$80,959	\$87,323	\$90,550	\$93,831	\$97,320	\$101,050	A
Sewer Service Charges	84,696	86,610	99,463	111,964	125,859	129,152	132,666	B
Pmts. From Other Govts.	12,094	15,109	15,501	15,904	16,318	16,742	17,177	C
Other	767	1,435	1,472	1,511	1,550	1,590	1,632	D
Total Operating Revenues	176,727	184,112	203,760	219,930	237,558	244,804	252,524	
Operating Expenses								
Salaries & Benefits	32,471	33,665	34,540	35,438	36,360	37,305	38,275	E
Utilities	13,395	15,770	16,243	16,730	17,232	17,749	18,282	
Repairs & Maintenance	7,067	4,401	4,515	4,633	4,753	4,877	5,004	
Materials & Supplies	8,226	7,423	7,757	8,106	8,471	8,852	9,250	F
Motor Equip. Svcs.	2,642	2,983	3,061	3,140	3,222	3,306	3,391	
Contractual Services	39,257	29,268	30,029	30,810	31,611	32,433	33,276	G
General Services	7,560	6,850	7,028	7,211	7,398	7,591	7,788	
Depreciation	24,193	24,600	25,240	25,896	26,569	27,260	27,969	
Extra O&M	--	--	10,000	12,000	11,000	10,000	9,000	H
Other	15,350	--	--	--	--	--	--	I
Total Operating Expenses (excluding Depreciation)	125,968	100,360	113,173	118,068	120,047	122,112	124,266	
Non-Operating Revenue								
Interest Earnings	31,736	12,392	10,894	8,871	9,405	9,405	9,405	J
Connection Fees	--	2,557	2,557	2,557	2,557	2,557	2,557	K
Net Revenues Available for Debt Service	82,495	98,701	104,038	113,289	129,473	134,654	140,220	
Net Debt Service	32,710	34,050	54,343	69,563	93,159	94,023	96,535	L
Combined Debt Service Coverage	2.59	2.90	1.91	1.63	1.39	1.43	1.45	
Revenues after Debt Service	49,785	64,651	49,695	43,726	36,314	40,631	43,685	
PILOT/ Franchise Fees	9,800	10,000	7,500	5,000	2,500	--	--	M
Revenues available for R&E	39,985	54,651	42,195	38,726	33,814	40,631	43,685	N
Water Increase	--	3.0%	0.0%	2.9%	2.9%	2.8%	3.2%	
Sewer Increase	--	2.7%	15.6%	13.2%	13.0%	3.0%	3.1%	
Increase in typical bill		2.8%	10.4%	10.1%	10.2%	2.9%	3.1%	

***Audited**



Introduction to Notes

The following sections document the assumptions and analysis underlying the projections provided above in Schedule A. Prior to addressing the specific notes to Schedule A, overview comments regarding contract operations, recent financial management tactics, recent rate developments, the affordability of water and sewer rates, and a comparison of the City's rates with other jurisdictions is provided.

Contract Operations

Starting January 1, 1999, the City's Water System has been operated by United Water Atlanta. The operating and maintenance fee for the year of 2001 is \$22,703,260.

The contract was signed in anticipation of significant operating cost savings as compared to continuing operations by the City. The anticipated savings have been realized in many respects, and the City and United Water Atlanta are working together to address some management issues which have arisen.

One issue deserving of special attention relates to United Water Atlanta's ability to collect revenues from customers in compliance with its contract with the City, which directly relates to the revenue projections developed herein. The percentage of currently billed amounts collected during the current period has dropped from approximately 98 percent prior to the United Water Atlanta agreement to approximately 94 percent. United Water reports that collection improvement measures they have taken have improved collections to 98.7 percent on a 12 month rolling average.

The reduction in the collection percentage has been the subject of much discussion, and United Water Atlanta has implemented several initiatives in response. The primary activity to resolve the collections problem is that the City has directed United Water Atlanta to significantly increase its efforts to discontinue service to accounts having excessive unpaid balances. The process of discontinuing service experienced a significant disruption after the contract was implemented, resulting in part from the conversion to the new billing system. The City and United Water Atlanta have now streamlined the disconnection process, which should quickly resolve the majority of collections issues.

Additionally, a program to notify residents of apartments where the management has not paid water bills was implemented with significant apparent success, although reports to document the response are not readily available. A similar program for homeowners is about to be implemented. The City and United Water Atlanta also have now agreed on procedures by which United Water Atlanta will notify the City of seriously delinquent accounts, which the City will pursue through the filing of liens on the property owner. It is concluded that the combination of these efforts should restore the collection percentage to previous levels.



The City has engaged a consulting firm to issue an annual report on the status of contract operations, but the report on calendar year 2000 has not been made available at the time of this writing. A performance problem under the contract could significantly impact financial performance and the City's ability to deliver services. However, Black & Veatch inspections of conditions at the City's water treatment plants does suggest that plant operations are being handled effectively under the contract.

Financial Management Tactics

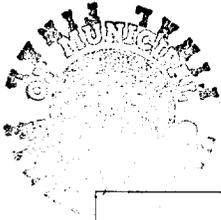
In recent years the City has negotiated agreements which are reducing necessary expenditures of capital funds and saving money in operations. Principal among these are the agreements with Georgia Power Company to provide back-up power facilities at all key treatment and water transmission sites. The City estimates savings of \$14 million in capital during the last year. The City's agreement with Coweta County has similar benefits, allowing services to be provided to an expanded area with no up front cost.

Recent Rate Developments

On July 16, 2001, the City Council adopted Ordinance 01-0-0710 to eliminate the declining block in the water rate schedule. The existing first block rate will apply to all consumption starting on January 1, 2002. It is expected that on December 6, 2001 the City Council will approve additional adjustments in rates. The anticipated increases are designed to meet funding requirements associated with the 2001A Bonds and other needs. The adjustments will program increases for the next three years in excess of the three percent CPI level to meet the requirements of the 2001 A Bonds, as well as other funding requirements.

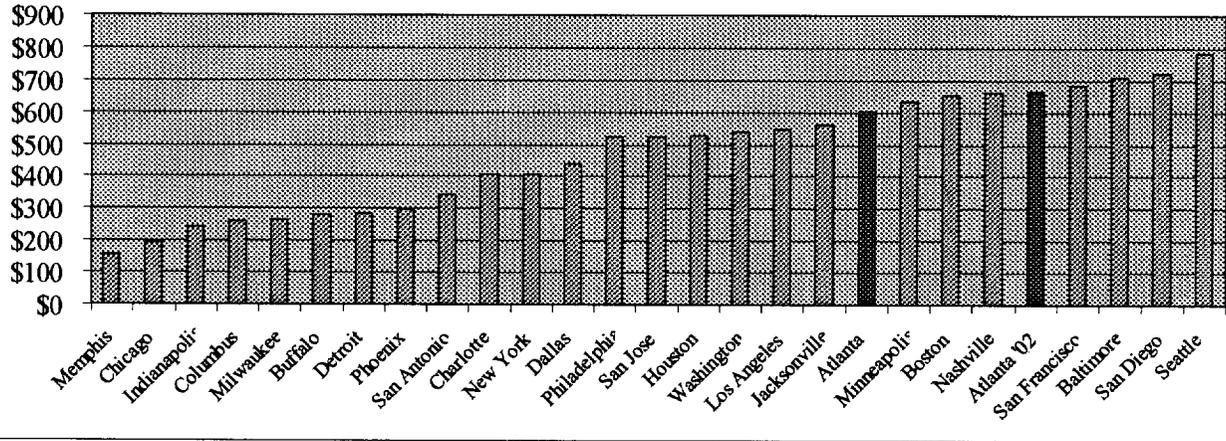
Rate Comparison and Affordability of Rates

Atlanta's rates were compared with the rates of twenty six large cities. Atlanta is shown twice in the comparison, reflecting the current 2001 rates, as well as the proposed 2002 rates. The comparison reflects typical residential bills for 10 Ccf of consumption per month, which is approximately equal to 7,500 gallons. Within that group Atlanta's 2001 rates ranked nineteenth, which indicates the City's typical single family residential bills in 2001 are higher than eighteen of the other Cities shown for comparison. The proposed 2002 rates would push Atlanta up to 23rd place based on the other cities' current 2001 rates. The following chart portrays the average annual combined water and sewer bills in the aforementioned large cities, along with 2001 and 2002 entries for Atlanta.



2001 Residential Water and Wastewater Annual Bills

Based on 7,500 Gallons of Consumption



Atlanta faces significant rate affordability questions in the future if the full CIP previously presented must be completed in the time frame currently shown. The City is pursuing ongoing negotiations with the EPD and EPA to address this issue. Possible avenues for addressing the affordability question would include the provision of Federal grant funds, the possibility of state grant funds, the possibility of support from a regional agency, as well as schedule relief or adjustments to the CIP projects themselves.

Notes to Schedule A

A. Water Sales

The Department of Water supplies water to approximately 1,000,000 people at an average demand of 119.5 mgd through 148,212 residential, commercial, industrial, governmental, and wholesale accounts. The service area covers the cities of Atlanta, Fairburn, Union City, and Hapeville, and portions of Fulton, Clayton, and Fayette Counties. Coweta County will begin receiving services in January 2002. Revenues obtained from water service charges are the result of demand for water, the rate structure, and other factors such as delinquent bills.

Demand

The water system customer base is primarily residential and commercial. The following table presents the distribution of demand and revenues by customer class for 2000. Due to



variations in level of service (retail vs. wholesale), other agreements, and the rate structure, revenue distribution differs from demand distribution.

Water Customer Demand and Revenues

CUSTOMER	DEMAND	REVENUES
Residential	56%	62%
Commercial	33%	32%
Wholesale	5%	1%
Government	3%	3%
Industrial	3%	2%

The most recent detailed rate study, which was completed in 1999, examined historic water consumption patterns in the service area, the relationship between demand and weather conditions, historic and projected demographics, and evaluated known economic development activities to produce the following estimation of demand for the period 2001-2006:

Demand Projection for Water Service Area (2001-2006) (1,000,000 CCF)

Class of Customer	2001	2002	2003	2004	2005	2006
In City	32.10	32.10	32.10	32.10	32.10	32.10
Out of City	14.50	14.79	15.09	15.39	15.96	16.01
Wholesale	3.40	3.47	3.54	3.61	3.68	3.75
Total	50.0	50.36	50.72	51.10	51.48	51.86

Among the factors supporting a level estimated demand for the in-city customers for the period are level population growth, limited variations in demand due to weather conditions (i.e., low lawn irrigation demand) and few new (anticipated) large water using customers. Customers located outside of the city are expected to experience growth of 2% per year over the study period

The following governments are billed on a wholesale basis - the cities of Fairburn, Union City, and Hapeville, and the counties of Clayton and Fayette. Historically, these areas have experienced a higher growth rate than the City of Atlanta and, thus, have exhibited a pattern



of year-to-year revenue growth. These customers are also expected to experience growth of 2% per year over the study period

Rate Structure

The following water rates will be in effect during December 2001:

Water Rates

	Inside City	Outside City
RETAIL WATER CHARGES		
<i>per CCF</i>	\$1.70	\$2.06
WHOLESALE WATER CHARGES		
<i>per CCF</i>	\$1.00	\$1.00

On October 14, 1998, the City adopted Ordinance 98-O-1709 to facilitate inflation related increases in water and sewer rates. Section 4 of the Rate Ordinance states that “effective January 1, 2001 for all billing cycles commencing after January 1, 2001 and for each year thereafter, water and sewer rates may be increased according to the CPI or other appropriate index not to exceed three percent (3%) per annum.” This removes the requirement that the City Council act for small increases in rates. For the study period, anticipated water rate increases will reflect an average of 3% per year. The following anticipated water rates are assumed in Schedule A:

Anticipated Water Rates (\$ per CCF)

Rate Block	2001	2002	2003	2004	2005	2006
In City	1.70	1.70	1.75	1.80	1.85	1.91
Out City	2.06	2.06	2.12	2.18	2.25	2.31
Wholesale	1.00	1.00	1.03	1.06	1.09	1.12

Other Factors

Water Service revenues also includes approximately \$600,000 annually in miscellaneous revenues primarily resulting from connection-related charges and miscellaneous fees. Several of the City’s miscellaneous fees have not been adjusted in many years, so it is anticipated that future increases may be appropriate to reflect the City’s increased costs. A cost of service study on these fees may result in increased revenues.



B. Revenues From Sewer Service Charges

The wastewater system provides wastewater collection and treatment services to the City of Atlanta, and wastewater treatment to the cities of East Point, College Park, and Hapeville, and to portions of DeKalb, Fulton, and Clayton Counties. Revenues from sewer service charges are the result of the demand for water (since sewer rates are based on water use), the rate structure, and other factors, such as delinquency levels.

Wastewater Generation

Wastewater generation patterns were analyzed as part of the November 1996 rate study which concluded that the rate of wastewater generation reflected the rate of population growth and was expected to remain level, after the elimination of Gwinnett County, over the period 2001-2006 at the rate of 25.9 million Ccf.

Rate Structure

In October 1998, the City Council approved a proportionate sewer rate structure with a charge of \$2.55 per CCF, effective November 1, 1998, as well as specified increases in 1999 and 2000 and annual increases thereafter.

Increased CIP requirements have resulted in recommended sewer rate increases of 15.6% in 2002, 13.2% in per year in 2003, 13% increase in 2004, with 3% increases for CPI or alternative index in 2005 and 2006 as provided for without City Council action. Schedule A assumes the following sewer rates:

Anticipated Sewer Rates (\$ per CCF)

Rate Block	2001	2002	2003	2004	2005	2006
Sewer Rate	3.40	3.93	4.45	5.03	5.18	5.34

Other Factors

The billing system sends out combined water and sewer bills. The collection methods used by the wastewater system are identical to those used by the water system.

Sewer service revenues also include revenues from high strength surcharges. Projected surcharge revenues are currently \$2.6 million per year.



C. Payments From Other Governments

The system receives revenues pursuant to intergovernmental agreements with the following governments: DeKalb County, Fulton County, College Park, East Point, Clayton County, and Hapeville. These payments cover the wastewater system operation and maintenance costs for serving those communities. The historical amounts of these charges as obtained from the audited financial statements are presented below:

Historical Sewer Service Charges To Other Governments (in Thousands)

	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Sewer Service Charges to Other Governments	\$11,956	\$9,198	\$10,865	\$15,224	\$13,239	\$18,118	\$12,094

D. Other Revenues

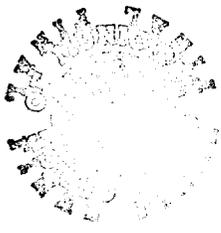
The system charges a variety of miscellaneous fees associated with providing water and wastewater services. According to the City's Finance Department personnel the amounts listed in the Schedule A represent the current best estimate of anticipated other revenues.

Historical Other Revenues (in Thousands)

	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Other Revenues	\$1,159	\$634	\$1,896	\$2,236	\$944	\$1,401	\$767

E. Historical Expenses

The System's expenses include the costs associated with the operation, maintenance and administration of the water treatment facilities and distribution system as well as the costs associated with the operations of the wastewater collection and treatment facilities. Since January 1, 1999, the City's Water System is operated and managed by United Water Services Unlimited Atlanta LLC. The historical levels of system costs as obtained from the audited financial statements are presented below:



Historical Expenses (in Thousands)

	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Salaries & Employee Benefits	\$52,559	\$53,407	\$57,831	\$57,534	\$53,128	\$29,342	\$32,471
Utilities	11,281	10,929	10,797	13,800	13,138	13,323	13,395
Repairs and Maintenance	4,778	5,625	4,600	4,513	4,405	5,428	7,067
Motor Equipment Services	3,469	3,805	6,491	2,367	4,353	2,668	2,642
Contractual Services	2,397	3,427	2,901	5,319	8,231	29,270	39,257
General Services	9,653	10,546	11,520	11,462	9,837	8,604	7,560

F. Materials and Supplies

The historical levels of the Materials and Supplies Costs as obtained from the audited financial statements are presented below:

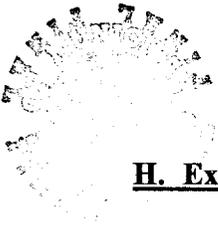
Historical Materials and Supplies Expenses (in Thousands)

	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Materials and Supplies	\$9,715	\$10,966	\$16,046	\$10,649	\$11,894	\$8,398	\$8,226

The budgeted amount for materials and supplies expenses for 2002 is \$7.76 million.

G. Contractual Services

The City of Atlanta has signed a 20 year contract (starting on January 1, 1999) with United Water Services Unlimited Atlanta LLC to operate the City's water system. The increase in Contractual Services from 1998 to 1999 reflects the contract with United Water Atlanta to manage the Water systems. The Contractual Services budget for 2002 is approximately \$30 million.



H. Extra O&M

Beginning in 2002, extra operation and maintenance cost of \$10 million will be provided to cover additional costs associated with the Collection System's Capacity Maintenance Operations and Management (CMOM) requirements. These costs include training, utility locates, reclamation, right of way contracts, and cleaning costs. Also, the City has significantly expanded its grease management program, which includes additional staffing, training equipment, and outreach to the restaurant community. Sewer mapping efforts are expanding, and implementation of a new maintenance management plan is ongoing, including quarterly reports to EPA and EPD.

I. Other Expenses

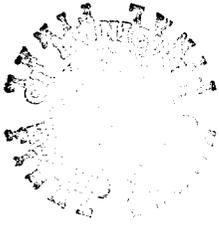
The System incurs expenses through transfer payments to the City for legal, auditing, treasury, training, and other support. Unallocated fund-wide expenses are also included in this category. In 1997 and subsequent years, the major portion of this expense line item was in the form of fines levied by the State of Georgia on the System. Fines such as these have been decreasing at a steady pace as the City continues to implement improvements designed to respond to consent order requirements. The City has paid approximately \$676,000 for fines as of October 2001, and anticipates that total fines to be paid through 2001 will be less than \$1 million. The City has budgeted future fines to be less than \$1 million each year. The historical levels of other expenses, as obtained from the audited financial statements, are presented below:

Historical Other Expenses (in Thousands)

	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Other Expenses	\$15,175	\$7,716	\$14,613	\$6,120	\$6,812	\$10,951	\$15,350

J. Interest Earnings

The system earns interest from the Renewal and Extension (R&E) Fund, and the Revenue Fund. Historical levels of these revenues, as obtained from the audited financial statements, are presented below:



Historical Interest Earnings (in Thousands)

	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Interest Earnings	\$4,488	\$7,864	\$11,369	\$11,049	\$12,528	\$16,503	\$31,736

In addition to the interest from the R&E and Revenue Funds, pledged revenues include project fund earnings for both the Series 1997 Bonds and the Series 1999 Bonds. No 1997 and 1999 project fund interest earnings are expected after 2004. Future interest earnings starting in 2002 include projected earnings on the debt service reserve fund.

K. Connection Fees

The historical levels of these revenues, as obtained from the audited financial statements, are presented below (Note that from 1997 to 2000, connection fees were incorporated into the Water Sales revenue.):

Historical Connection Fee Revenues (in Thousands)

	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Connection Fees	\$1,385	\$1,825	\$1,838	\$1,500	-	-	-

L. Net Debt Service

The net debt service is the annual debt service requirement less capitalized interest. These figures include annual credit enhancement and re-marketing fees

M. PILOT/ Franchise Fees

Beginning in 1999, the Franchise Fees and Payments in lieu of taxes (PILOT) were annually transferred to the City's General Fund. These transfers are only made after debt service has been paid. The City is evaluating the eventual elimination of these transfers, and the plan developed by the Finance Department and the Bureau of Financial Services and Auditing is to reduce these amounts by \$2.5 million annually over the next four years. Should these transfers stay at current levels, a corresponding reduction in financing for necessary capital projects, or an offsetting increase in rates would be required.



N. Revenues Available for R&E

Over the period 2001 to 2006, inclusive, net revenues available to be used for renewal & extension (R&E) exceed \$254 million, in aggregate. Net revenues available to be used for R&E are defined as net revenues after both debt service and PILOT/Franchise Fees have been paid.

IV. Additional Bonds Test

Exhibit 9 illustrates the projection of debt service coverage for a ten year period starting in 2002. This includes a five year period for construction, and five years after construction. The additional bonds test stipulates two requirements, one related to each of these five year periods.

First, it is required that "the forecasted net operating revenues of the System and investment earnings on the funds held under the Bond Ordinance until the date of completion of the financed improvements are expected to equal at least 100% of the Debt Service Requirement during such period on all Senior Bonds...". The second requirement is that "the forecasted net operating revenues of the System and investment earnings on the funds held under the Bond Ordinance for each of the five consecutive fiscal years of the City following the date of completion of the financed improvements are expected to equal at least 110% of the average annual Debt Service Requirement on all Senior Bonds . . ."

As the minimum projected coverage on actual debt service during the first five years is 1.39, the first requirement is met. The minimum projected coverage on average debt service during the second five years is 1.32, so the second requirement is also satisfied.



Exhibit 9-Additional Bonds Test

<u>Year</u>	<u>Net Revenues (Thousands)</u>	<u>Actual</u>		<u>Average</u>	
		<u>Debt Service (Thousands)</u>	<u>Coverage</u>	<u>Debt Service (Thousands)</u>	<u>Coverage</u>
2002	\$104,038	\$54,343	1.91	NA	NA
2003	113,289	69,563	1.63	NA	NA
2004	129,473	93,159	1.39	NA	NA
2005	134,654	94,023	1.43	NA	NA
2006*	140,220	96,535	1.45	NA	NA
2007	137,637	NA	NA	\$96,105	1.43
2008	134,984	NA	NA	96,105	1.40
2009	132,228	NA	NA	96,105	1.38
2010	129,397	NA	NA	96,105	1.35
2011	126,514	NA	NA	96,105	1.32

V. OPINIONS

As a result of our investigations and analyses of the System facilities and financial records, we have formulated the following opinions:

Capital Improvement Program

1. The System's CIP identifies and prioritizes the capital needs resulting from consent orders and other known issues. The CIP is an aggressive plan, especially in terms of the number and scope of projects to be undertaken relative to the wastewater system and the cost of the CIP.
2. The projects identified in the CIP appear to be consistent with consent order and other regulatory requirements facing the City. The analysis indicates that these projects will meet existing federal and state environmental standards assuming there are no delays caused by unanticipated conditions or failure by the City to expedite procurement and construction.
3. Visual inspections of the System facilities, indicate they are in Good to Adequate condition, and have improved in many cases relative to their condition at the time of the last issuance of bonds.



Financial Feasibility of the Series 2001 Bonds

1. The results of the financial evaluation as presented in Schedule A show that debt service coverage is projected to range from a high of 1.91 in 2002, to low of 1.39 in 2004, recovering to 1.45 in 2006 given the stated assumptions regarding rates, consumption, O&M and capital costs, and recovery rates.
2. Based on the assumptions presented in the accompanying schedules, the issuance of up to \$962,255,000 in 2001 of water and wastewater revenue bonds is within the utility's overall financial capacity.
3. The additional bonds test for issuance of parity bonds is satisfied.

Very truly yours,

BLACK & VEATCH CORPORATION

William G. Stannard
Senior Vice President



303 Peachtree Street, N.E.
Suite 2000
Atlanta, GA 30308

Telephone 404 222 3000
Fax 404 222 3050

Independent Accountants' Report
On Applying Agreed-Upon Procedures

The City of Atlanta
Atlanta, Georgia 30335

Dear Ladies and Gentlemen:

We have performed certain agreed-upon procedures, as listed below, which were agreed to by the addressees, to the accounting records of the City of Atlanta, Georgia's (the "City") Water and Sewerage System Fund (the "System"), solely to assist you in connection with the proposed Water and Wastewater Revenue Bonds, Series 2001A, Series 2001B, and Series 2001C.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings performed on the attached schedule are as follows:

<u>Item</u>	<u>Schedule</u>	<u>Procedures and Findings</u>
a	1	For the Series 1999 Water and Wastewater Revenue Bonds, we compared the Annual Principal Requirements, Semi-Annual Interest Requirements, and Total Debt Service Requirements included on the attached Schedule of Debt Service Payments to Date (the "Schedule"), for the period November 1, 1999 to November 30, 2001, to the debt service requirements as stated on page 56 of the Official Statement of the Series 1999 Water and Wastewater Revenue Bonds and found them to be in agreement.
b	1	We obtained the bank statements for the Payment Account of the Bond Sinking Fund for the Series 1999 Revenue Bonds for the period November 1, 1999 to November 30, 2001 and compared the Debt Service Payments Made to Trustee on the Schedule to the transfers made to the trustee according to the bank statements and found them to be in agreement.





<u>Item</u>	<u>Schedule</u>	<u>Procedures and Findings</u>
c	-	As defined in Article IV, Section 4.4 of the Bond Ordinance adopted March 31, 1999 (the "Bond Ordinance"), the required balance of the Payment Account of the Sinking Fund should be enough to make the required debt service payment at least 30 days before the date of the required payment. In accordance with that definition, the City has calculated that no balance is required at November 30, 2001. We compared the assets in the Payment Account per the November 30, 2001 bank statement for that account and found the assets to be greater than the required balance of zero, as calculated by the City.
d	-	As defined in Article IV, Section 4.4 of the Bond Ordinance, the required balance of the Debt Service Reserve Account of the Sinking Fund should be an amount determined by the City as a reasonable reserve for the payment of principal of and interest on the Series 1999 Revenue Bonds – initially this amount shall be the maximum annual debt service requirement with respect to the Series 1999 Revenue Bonds in the then current or any succeeding fiscal year. In accordance with that definition, the City has calculated a required balance of \$71,852,680 at November 30, 2001. We recalculated the mathematical computation of the City's determination of the maximum annual debt service based on the Official Statement of the Series 1999 Revenue Bonds and found the City's amount to be correct. We also compared the assets in the Debt Service Reserve Account per the November 30, 2001 bank statement of that account and found the assets to be greater than the required balance of \$71,852,680, as calculated by the City.

We were not engaged to, and did not, conduct an examination of the accompanying schedules, the objective of which would be the expression of an opinion on the specified elements, accounts, or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Schedule 1

**CITY OF ATLANTA, GEORGIA
DEPARTMENT OF WATER AND SEWERAGE
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO DATE**

	<u>Annual Principal Requirements</u>	<u>Semi-Annual Interest Requirements</u>	<u>Total Debt Service Requirements</u>	<u>Debt Service Payments Made to Trustee</u>
November 1999	\$ 12,605,000	\$ 33,116,691	\$ 45,721,691	\$ 45,721,691
May 2000	-	28,071,240	28,071,240	28,071,240
November 2000	10,000,000	28,071,240	38,071,240	38,071,240
May 2001	-	27,896,240	27,896,240	27,896,240
November 2001	10,000,000	27,896,240	37,896,240	37,896,240



EXHIBIT B

NOTICE OF CHANGE IN PERCENTAGES

**City of Atlanta
Water and Wastewater Revenue Bonds,
Series 2001[B or C] (ARCs)**

(Used in Determination of the Applicable Percentage used in determining the Maximum ARC Rate, the All Hold Rate, and the Applicable Percentage of the Kenny Index used to determine the Default Rate)

NOTICE IS HEREBY GIVEN that UBS PaineWebber Inc., as Market Agent for the above-identified bonds, hereby authorizes the adjustment in the percentages used to determine the Applicable Percentage used in determining the Maximum ARC Rate, the All Hold Rate, and the Applicable Percentage of the Kenny Index used to determine the Default Rate, to reflect a Change in Preference Law as set forth in its notice dated _____.

Notice is also hereby given that the Market Agent has obtained confirmation that Bond Counsel expects to be able to give its Favorable Bond Counsel's Opinion with respect to the adjustment in the percentages.

Dated: _____

UBS PAINWEBBER INC.

By: _____

Its: _____



EXHIBIT C

**NOTICE ESTABLISHING CHANGE IN LENGTH
OF ONE OR MORE AUCTION PERIODS**

**City of Atlanta
Water and Wastewater Revenue Bonds,
Series 2001[B or C] (ARCs)**

Notice is hereby given that UBS PaineWebber Inc., as Market Agent for the above-captioned bonds, hereby establishes new lengths for one or more Auction Periods as follows:

1. The change shall take effect on _____, _____, the date of commencement of the next Auction Period for the bonds outstanding as ARCs (the "Effective Date").

2. Interest Payment Dates shall be (or, if applicable, remain) each _____ and _____ after the date of this Notice. For the Auction Period commencing on the Effective Date, the Interest Period (and Auction Period) shall be the period commencing on the Effective Date through and including _____, _____ (date). For Auction Periods occurring after the Auction Period commencing on the Effective Date, the Interest Period (and Auction Period) shall be the period commencing on _____, _____ (date) through and including _____, _____ (date) and each _____ (number of days) day period thereafter commencing on a _____ (day of week) and ending on (and including) a _____ (day of week); provided, however, that the length of subsequent Auction Periods shall be subject to further change hereafter as provided in Section 5.15 of the Series 2001 Bond Ordinance.

3. [Describe any special optional redemption provisions added in connection with the change.]

4. The changes described above shall take place only upon delivery of this Notice and the satisfaction of other conditions set forth in the Series 2001 Bond Ordinance and our prior notice dated _____ regarding the proposed change.

5. Terms not defined in this Notice shall have the meanings as set forth in the Series 2001 Bond Ordinance.

Dated: _____

UBS PAINWEBBER INC.,
as Market Agent

By: _____

Its: _____

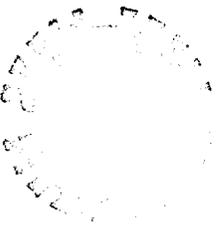


EXHIBIT E

**ACCRETED VALUES FOR SERIES 2001A BONDS THAT ARE
COMPOUND INTEREST BONDS**

None



RCS# 3395
12/05/01
4:52 PM

Atlanta City Council

Regular Session

01-0-1893

Series 2001 Bond Ordinance for Water &
Wastewater Revenue Bonds/March 31, 1999
SUBSTITUTE

YEAS: 9
NAYS: 1
ABSTENTIONS: 4
NOT VOTING: 1
EXCUSED: 1
ABSENT 0

Y McCarty	A Dorsey	A Moore	A Thomas
Y Starnes	Y Woolard	A Martin	Y Emmons
Y Bond	Y Morris	E Maddox	Y Alexander
Y Winslow	Y Muller	N Boazman	NV Pitts

CORRECTED COPY

01-0-1893

01-0-1893

(Do Not Write Above This Line)

AN ORDINANCE BY *[Signature]*
SERIES 2001 BOND ORDINANCE

A SERIES 2001 BOND ORDINANCE TO RATIFY, REAFFIRM, SUPPLEMENT, AND AMEND THAT CERTAIN MASTER BOND ORDINANCE ADOPTED ON MARCH 31, 1999, AS SUPPLEMENTED AND AMENDED BY THAT CERTAIN FIRST SUPPLEMENTAL BOND ORDINANCE ADOPTED ON MARCH 5, 2001; TO PROVIDE FOR THE ISSUANCE BY THE CITY OF ATLANTA OF ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001A, AND ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001C, AND FOR THE PURPOSE OF REFUNDING A PORTION OF ITS OUTSTANDING WATER AND WASTEWATER REVENUE BONDS, SERIES 1999A, AND (2) FOR THE PURPOSE OF FINANCING THE COSTS OF MAKING ADDITIONS, EXTENSIONS, AND IMPROVEMENTS TO ITS WATER AND SEWER SYSTEM; TO PROVIDE TERMS, PROVISIONS, AND CONDITIONS FOR THE ISSUANCE OF ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001A, ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001B, AND ITS WATER AND WASTEWATER REVENUE BONDS, SERIES 2001C, AND FOR OTHER RELATED PURPOSES. *Substitute*

- CONSENT REFER
- REGULAR REPORT REFER
- ADVERTISE & REFER
- 1st ADOPT 2nd READ & REFER
- PERSONAL PAPER REFER

Date Referred *11/5/01* *objection*
 Referred To *Finance Executive*
 Date Referred _____
 Referred To _____
 Date Referred _____
 Referred To _____

First Reading

Committee _____
Date _____
Chair _____
Referred to _____

Committee *FIN/EXEC*

Date *11/14/01*

Chair *[Signature]*

Actions *[Signature]*

Fav, Adv, Held (see rev. slide)

Others _____

Members _____

FINAL COUNCIL ACTION

2nd 1st & 2nd 3rd
Readings

Consent V Vote RC Vote

CERTIFIED

CERTIFIED
DEC 05 2001
ATLANTA CITY COUNCIL PRESIDENT
[Signature]

CERTIFIED
DEC 05 2001
[Signature]
MUNICIPAL CLERK

MAYOR'S ACTION

APPROVED
DEC 16 2001
[Signature]

Committee _____
Date _____
Chair _____
Actions _____
Fav, Adv, Held (see rev. slide) _____
Others _____
Members _____

Committee _____
Date _____
Chair _____
Actions _____
Fav, Adv, Held (see rev. slide) _____
Others _____
Members _____

Committee _____
Date _____
Chair _____
Actions _____
Fav, Adv, Held (see rev. slide) _____
Others _____
Members _____

Committee _____
Date _____
Chair _____
Actions _____
Fav, Adv, Held (see rev. slide) _____
Others _____
Members _____

ADOPTED BY

DEC 05 2001

COUNCIL

Refer To

ADMINISTRATIVE CORRECTION TO LEGISLATION REQUEST FORM

TO:

Rhonda Dauphin Johnson
Municipal Clerk

Re: Ø1-0-1893
Legislative ID Number (Ordinance/Resolution)

December 5, 2001 December 5, 2001
Adoption Date Approval Date

FROM:

Councilmember

Department Head

Name:

David Corbin

Dept/Bureau:

Finance

E-Mail Address:

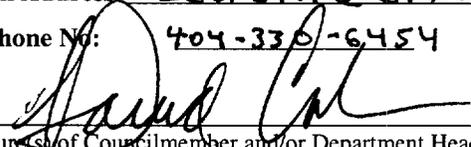
dcorbin@ci.atlanta.ga.us

Telephone No:

404-330-6454

Fax No:

404-658-6667


Signature(s) of Councilmember and/or Department Head

(Questions 1-5, below and on reverse side of page, must be completed.)

1.) What is the requested change/correction? (Give detailed description; Use additional page(s) if necessary; Provide supporting attachments as needed.)

See attached pages. They consist of
clerical corrections to conform definitions
and cross references and to correct
grammar and punctuation.