**NEW ISSUE-BOOK-ENTRY ONLY**

RATINGS: AA / A-1+; Aa2 / VMIG 1; AA+ / F1+
Standard & Poor's/Moody's/Fitch Ratings
**(See "RATINGS" herein)**

*In the opinion of Bass Berry & Sims PLC, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Bond Counsel is further of the opinion that under existing law and regulations, interest on the Bonds is exempt from all state, county and municipal taxation within the State of Tennessee, except for inheritance, transfer and estate taxes and except to the extent such interest may be included within the measure of corporate privilege taxes. See "TAX EXEMPTION" herein.*

# $60,805,000
# The Metropolitan Government
# of Nashville and Davidson County (Tennessee)
# General Obligation Refunding Bonds, Series 2006 A

DATED: Date of Delivery **Price: 100%** DUE: MAY 15, 2026
INITIAL INTEREST RATE: 3.60% CUSIP: 592112AW6

The $60,805,000 General Obligation Refunding Bonds, Series 2006 A (the "Bonds") are general obligations of the Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government"), and the full faith, credit and unlimited taxing power of the Metropolitan Government are pledged to the payment of the Bonds without limitation as to rate or amount. See "THE BONDS – Security and Remedies" herein. The Metropolitan Government has never defaulted on its bonds or notes. Deutsche Bank National Trust Company will serve as Paying Agent and Bond Registrar (collectively referred to herein as the "Paying Agent"), as well as the Tender Agent (the "Tender Agent"). The Bonds will be issued in fully registered book-entry form without coupons.

The Bonds are subject to optional and mandatory tender for purchase as described herein. Upon satisfaction of certain conditions, the Bonds tendered for purchase and not remarketed will be purchased with funds advanced by DEPFA BANK plc, acting through its New York Branch, (the "Initial Liquidity Purchaser") pursuant to that Standby Bond Purchase Agreement (the "Initial Liquidity Facility") between the Initial Liquidity Purchaser and the Metropolitan Government. The Initial Liquidity Facility will expire on May 15, 2013 unless otherwise extended or earlier terminated as stated therein. Under certain circumstances, the Initial Liquidity Facility may terminate without notice or opportunity to tender the Bonds for purchase prior to such termination. See "LIQUIDITY FACILITY" herein. The Initial Liquidity Facility may be replaced by an Alternate Credit Facility or Alternate Liquidity Facility as defined herein under the terms and conditions set forth in the Resolution, as described herein. The Initial Liquidity Facility permits the Tender Agent to draw funds sufficient to purchase Bonds bearing interest at the Initial Interest Rate (which is the rate of interest born by the Bonds during the Initial Rate Period as described herein), the Daily Rate, the Weekly Rate, and the Monthly Rate that are tendered for purchase by the holders thereof pursuant to the terms of the Bonds and the Resolution (as defined herein) that are not remarketed by the Remarketing Agent (as defined below) pursuant to the terms of the Resolution. Amounts may not be drawn under the Initial Liquidity Facility to pay the principal of, premium, if any, or interest on the Bonds.

DEPFA BANK

The Initial Rate Period for the Bonds will be from May 11, 2006 to and including June 14, 2006. Thereafter, the Bonds will be remarketed to bear interest at the Weekly Rate for the Weekly Rate Period until converted to another rate period. During the Initial Rate Period, the Daily Rate Period, the Weekly Rate Period, and the Monthly Rate Period, interest on the Bonds will be payable on the fifteenth day of each calendar month, or the next Business Day thereafter, commencing June 15, 2006. Subject to the conditions set forth in the Resolution adopted on April 18, 2006 (the "Resolution") by the Metropolitan Council of the Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Council"), after the Initial Rate Period, each Bond may operate at any time in one of six Rate Periods: a Daily Rate Period, a Weekly Rate Period, a Monthly Rate Period, a Commercial Paper Rate Period, a Medium Term Rate Period and a Fixed Rate Period. The Bonds, at any given time, may operate in one or more interest rate periods, provided that any single Bond may be in only one period at a time. References to Initial Rate Bonds, Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds (collectively, "Variable Rate Bonds"), Medium Term Rate Bonds or Fixed Rate Bonds shall be deemed to refer to those particular Bonds operating in the applicable interest rate period. The Initial Liquidity Facility only applies to Bonds bearing interest at the Initial Interest Rate, the Daily Rate, the Weekly Rate, and the Monthly Rate.

The Bonds will be subject to redemption prior to maturity, including optional redemption prior to stated maturity, and mandatory sinking fund redemption. Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds and Medium Term Bonds are subject to optional tender for purchase. During the Initial Rate Period, the Bonds are not subject to optional tender or purchase. The Bonds are subject to mandatory purchase under certain circumstances. Initial Rate Bonds are subject to mandatory tender at the end of the Initial Rate Period.

The Bonds will be issued in fully registered form without coupons and, when issued, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial interests in the Bonds bearing interest at a Variable Rate or a Medium Term Rate will be available to purchasers in denominations of $100,000 or multiples of $5,000 in excess thereof. Beneficial owners will not receive physical delivery of bond certificates. See "BOOK-ENTRY PROVISIONS" herein.

Morgan Stanley & Co. Incorporated (the "Purchaser") will act as the initial Broker-Dealer for the Bonds and as the Remarketing Agent. The Bonds are offered for delivery when, as and if issued and received by the Purchaser, subject to prior sale, to withdrawal or modification of the offer without notice and subject to the approving opinion of Bass Berry & Sims, PLC, Nashville, Tennessee, Bond Counsel. Certain legal matters for the Metropolitan Government will be passed upon by the Office of Director of Law for the Metropolitan Government. Certain legal matters will also be passed upon for the Initial Liquidity Purchaser by its domestic counsel, Nixon Peabody LLP, New York, New York and by its Irish in-house counsel. It is anticipated that delivery of the Bonds will be made on or about May 11, 2006.

**This Official Statement is dated April 27, 2006**

*THIS OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT. Under no circumstances shall this Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. As of this date, this Official Statement has been deemed "final" by the Metropolitan Government for purposes of SEC Rule 15c2-12(b)(1) except for the omission of certain information permitted by SEC Rule 15c2-12(b)(1).*

No dealer, broker, salesman or other person has been authorized by the Metropolitan Government or the Purchaser to give any information or to make any representation other than the information and representations contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from the Metropolitan Government, the Initial Liquidity Purchaser, the Depository Trust Company and other sources which are deemed to be reliable by the Purchaser.

Upon issuance, the Bonds will not be registered by the Metropolitan Government under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency will have passed upon the adequacy of this Official Statement or, other than the Metropolitan Government will have approved the Bonds for sale.

Questions regarding information in this Official Statement should be directed to Celia A. Yancey, Metropolitan Treasurer, 222 Third Avenue North, Suite 110, Nashville, Tennessee 37201, (615-880-2809).

Although the Metropolitan Government does not contract to do so and does not represent that it will do so, it may maintain, from time to time, a mailing list of parties wishing to receive annual and other information regarding the Metropolitan Government. Parties wishing to receive such information should send a written notice to such effect to Ms. Yancey at the address given above.

This Official Statement has been prepared by the Metropolitan Government in connection with the original offering for sale by the Metropolitan Government of the Bonds referred to above. See the "INTRODUCTION" for a discussion of the Metropolitan Government's Supplemental Information Statement, which is to be used as Part II of this Official Statement.

**IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET; SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: http://www.i-dealprospectus.com. THIS OFFICIAL STATEMENT SHOULD BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.**

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE
AND DAVIDSON COUNTY
(TENNESSEE)**

The Honorable Bill Purcell
Metropolitan Mayor

The Honorable Howard Gentry, Jr.
Vice Mayor
President of the Metropolitan Council

| | |
|---|---|
| David L. Manning<br>Director of Finance | Karl F. Dean<br>Director of Law |
| Celia A. Yancey<br>Metropolitan Treasurer | Kim McDoniel<br>Assistant Director of Finance |

Marilyn S. Swing
Metropolitan Clerk

# OFFICIAL STATEMENT
## RELATING TO THE ISSUANCE OF
## THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)

## $60,805,000
## General Obligation Refunding Bonds, Series 2006 A

### INTRODUCTION

This Official Statement which includes the cover page and the appendices attached hereto contains information concerning (a) the $60,805,000 General Obligation Refunding Bonds, Series 2006 A (the "Bonds"), and (b) the Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government"), a political subdivision of the State of Tennessee.

The following appendices are attached hereof: Appendix A – Definitions of Certain Definitions; Appendix B – Overview of the Initial Liquidity Purchaser; Appendix C – Proposed Form of Opinion of Bond Counsel; and Appendix D – General Purpose Financial Statements For the Year Ended June 30, 2005.

This Official Statement and the Appendices hereto contain brief descriptions of, among other things, the Bonds, the Resolution, the Metropolitan Government, the Initial Liquidity Facility, the Initial Liquidity Purchaser, and the Tender Agent. Such descriptions do not purport to be comprehensive or definitive. The Initial Liquidity Purchaser has not prepared any aspect of this Official Statement other than, with respect to said Initial Liquidity Purchaser, the information in Appendix B and shall have no responsibility or liability for any other aspect of the Official Statement. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of Bond included in the Resolution. Until the issuance and delivery of the Bonds, copies of the Resolution, the Initial Liquidity Facility, the Tender Agent Agreement, the Remarketing Agent Agreement, and other documents described in this Official Statement may be obtained from Celia A. Yancey, Metropolitan Treasurer, 222 Third Avenue North, Suite 110, Nashville, Tennessee 37201, (615-880-2809). After delivery of the Bonds, copies of these documents may be obtained from the Paying Agent or the Tender Agent.

### THE BONDS

**General**

The Bonds will be issued under and subject to the terms and conditions contained in the Substitute Resolution No. RS2006-1269 adopted by the Metropolitan Council of the Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Council") on April 18, 2006 (the "Resolution"). The Bonds are being issued to provide monies: (i) to refinance the costs of public works projects previously financed with the Metropolitan Government's outstanding General Obligation Public Improvement Bonds, Series 1996 (the "Series 1996 Bonds," $59,865,000 outstanding), which will be currently refunded in full with the proceeds of the Bonds; (ii) to finance approximately $84,000 of various public works projects; and (iii) to pay costs of issuance on the Bonds.

The Bonds will be available only in fully registered book-entry form in Authorized Denominations. "Authorized Denomination" means: (i) for any Variable Rate Bond or Medium Term Rate Bond, the denomination of $100,000 and $5,000 multiples in excess thereof; and (ii) for any Fixed Rate Bond, the denomination of $5,000 or any integral multiple thereof. The Bonds will bear interest at the applicable Variable Rate for the respective Periods as noted below; see "THE BONDS – Interest Rate and Interest Payment Provisions" herein. Fully registered bonds are interchangeable for other fully registered bonds of the same series in Authorized Denominations upon terms and conditions provided in the Resolution.

**Authority for Issuance of the Bonds**

The Metropolitan Government, pursuant to Section 9-21-101, *et seq.*, of the Tennessee Code Annotated ("T.C.A."), has the power and is authorized to issue by resolution general obligation bonds for public works projects, provide for the rights of the holders thereof, and to secure such bonds as provided in Part I and Part II of Section 9-21-101, *et seq.*, of the T.C.A. The Metropolitan Government by Part IX of section 9-21-101, *et. seq*. of the T.C.A, is furthermore authorized to issue, by resolution, general obligation refunding bonds to refinance bonds theretofore issued to finance public works projects.

**Plan of Refunding**

The Series 2006 A Bonds are being offered to initiate a current refunding of the Metropolitan Government's outstanding General Obligation Public Improvement Bonds, Series 1996 maturing May 15, 2008 through May 15, 2026 (the "Series 1996 Bonds" or the "Refunded Bonds"), which were previously issued to fund various public works projects.

On May 4, 2004, the Metropolitan Government entered into an interest rate hedging agreement for the Series 1996 Bonds with SunTrust Bank as hedge counterparty. SunTrust paid $3,800,000 for the option to exercise the interest rate swap on May 15, 2006, which is the first possible call date on the Series 1996 Bonds. Under the swap, the Metropolitan Government will receive variable rate payments and make fixed rate payments at a rate equal to 5.40% or, together with fees, approximately equal to the rate on the Series 1996 Bonds. Payments will be based on an estimated amount that will equal the outstanding principal balance of the Series 1996 Bonds as detailed in the section "THE BONDS – Tenders and Purchases – *Mandatory Redemption*." On March 13, 2006, SunTrust notified the Metropolitan Government that it planned to exercise its option. Therefore, the Metropolitan Government will simultaneously issue the Bonds and use the proceeds to refund the Series 1996 Bonds.

**Security and Remedies**

The Bonds will be direct general obligations of the Metropolitan Government, and the Metropolitan Government has pledged its full faith and credit and unlimited taxing power to the punctual payment of the principal of and interest on the Bonds. A tax sufficient to pay when due such principal and interest shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the Metropolitan Government and shall be in addition to all the other taxes authorized or limited by law. It shall be the duty of the Metropolitan Council to include in the annual levy tax sufficient to pay the interest on and principal of the Bonds as the same become due. When any part of the principal of or interest on the Bonds shall not be paid when due, there shall be levied and assessed by said Metropolitan Council and collected by the proper collecting officers at the first assessment, levy and collection of taxes in the Metropolitan Government, after such omission or failure, a tax sufficient to pay the same.

Any owner or owners of the Bonds, including a trustee or trustees for holders of the Bonds, shall have the right, in addition to all other rights: (a) by mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce his or their rights against the Metropolitan Government, the Metropolitan Council, or any officer, agent or employee of the Metropolitan Government, including, but not limited to, the right to require the Metropolitan Government and its Metropolitan Council and any proper officer, agent or employee of the Metropolitan Government to assess, levy and collect taxes to carry out any agreement as to, or pledge of, such taxes and to require the Metropolitan Government and Metropolitan Council and any officer, agent or employee of the Metropolitan Government to carry out any other covenants and agreements and to perform its and their duties under the provisions of the T.C.A. and (b) by action or suit in equity to enjoin any acts or things which may be unlawful or a violation of the rights of such owner or owners of the Bonds.

**Initial Liquidity Facility**

Concurrently with the delivery of the Bonds, the Metropolitan Government will enter into a Standby Bond Purchase Agreement (the "Initial Liquidity Facility") with DEPFA BANK plc, acting through its New York Branch, ("DEPFA" or the "Initial Liquidity Purchaser"), which will expire on the stated expiration date thereof (initially May 15, 2013) unless (i) the stated expiration date is extended or (ii) the Initial Liquidity Facility is terminated earlier upon the occurrence of certain events as described herein and in the Initial Liquidity Facility. Under the Initial Liquidity Facility, the Initial Liquidity Purchaser will agree to draw thereon upon satisfaction of the conditions to draw set forth therein, to purchase Bonds bearing interest at the Initial Interest Rate (only at the end of the Initial Rate Period), the Daily Rate, the Weekly Rate, and the Monthly Rate (each a "Covered Rate") that are tendered for purchase by the holders thereof pursuant to the terms of the Bonds and the Resolution that are not remarketed by the Remarketing Agent pursuant to the terms of the Resolution. See "LIQUIDITY FACILITY – Initial Liquidity Facility" herein. For additional information concerning the Initial Liquidity Purchaser, see APPENDIX B to this Official Statement entitled "Overview of the Initial Liquidity Purchaser."

Under certain circumstances the Initial Liquidity Facility may be replaced by an Alternate Liquidity Facility. For any Bonds bearing interest at a Covered Rate, if an Alternate Liquidity Facility to replace the Initial Liquidity

Facility is not delivered at least 25 days prior to the Liquidity Expiration Date of the Initial Liquidity Facility, such Bonds will be subject to mandatory tender for purchase, at par, without premium, plus accrued interest on the Liquidity Expiration Date. Upon the occurrence of certain events, the Initial Liquidity Facility will terminate without any prior notice. In addition, the Initial Liquidity Facility will terminate 30 days after receipt by the Tender Agent of notice from the Initial Liquidity Purchaser of the occurrence of an Event of Default under the Initial Liquidity Facility in which case the Bonds will be subject to mandatory tender on the date the Tender Agent receives such notice. See "LIQUIDITY FACILITY – Initial Liquidity Facility" and "THE BONDS — Tenders and Purchases — *Mandatory Purchase on Liquidity Expiration Date*" herein. Pursuant to the Resolution, the Tender Agent serves as trustee.

Under the Resolution, the Bonds, after the Initial Rate Period, may operate in any one of six rate Periods: a Daily Rate Period, a Weekly Rate Period, a Monthly Rate Period, a Commercial Rate Period, a Medium Term Period or a Fixed Rate Period. The Bonds will initially bear interest at the Initial Interest Rate during the Initial Rate Period. References to Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds, Medium Term Rate Bonds or Fixed Rate Bonds shall be deemed to refer to those particular Bonds operating in the applicable interest rate period. HOWEVER, THE INITIAL LIQUIDITY FACILITY ONLY APPLIES TO BONDS BEARING INTEREST AT THE INITIAL INTEREST RATE, THE DAILY RATE, THE WEEKLY RATE, AND THE MONTHLY RATE.

In this Official Statement the term "Variable Rate Bonds" refers to and includes, Initial Rate Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds and Commercial Paper Bonds, and the term "Variable Rate" refers to and includes, the Initial Rate, the Daily Rate, the Weekly Rate, the Monthly Rate and the Commercial Paper Rate.

**Interest Rate and Interest Payment Provisions**

*General.* The Initial Rate Period for the Bonds will be from the Settlement Date (expected to be May 11, 2006) to and including June 14, 2006. Thereafter, the Bonds will bear interest at the Weekly Rate until subsequent Conversion, if any. Each Bond will evidence the right to receive interest, at a Variable Rate or a Medium Term Rate, determined from time to time, or at a Fixed Rate, from and including the date of such Bond until payment of the principal or redemption price thereof has been made or provided for in accordance with the provisions of the Resolution, whether at maturity, on redemption or otherwise. Interest for each Interest Period will be paid on the next succeeding Interest Payment Date and, while the Bonds pay interest at a Variable Rate, will be computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed, while the Bonds pay interest at the Medium Term Rate or the Fixed Rate, computed on the basis of a year of 360 days and twelve 30-day months, provided that while any Bonds pay interest at the Purchased Bonds Rate, interest on such Bonds will be payable on the dates and in the amounts calculated by the Initial Liquidity Purchaser on the basis provided in the Initial Liquidity Facility. Interest attributable to any Bond may not accrue at a rate greater than the Maximum Interest Rate. The Paying Agent will calculate the amount of interest to be paid on each Interest Payment Date.

*Certain Interest Rates.* Interest rates will be determined as follows for Commercial Paper Bonds, Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds, Medium Term Rate Bonds and Fixed Rate Bonds:

For each Commercial Paper Bond, the interest rate will be that annualized rate established by the Remarketing Agent on or before 12:30 p.m., New York City time, on the first day of the related Commercial Paper Period which, from among various interest rates established from time to time by the Remarketing Agent, is the interest rate necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable such Commercial Paper Bond to be sold in a secondary market transaction on the first day of such Commercial Paper Period at a price equal to par plus accrued interest, if any.

For each Commercial Paper Bond, each Purchase Date and the related Commercial Paper Period will be established by the Remarketing Agent on or prior to the first day of each Commercial Paper Period for such Bond as being the Purchase Date and Commercial Paper Period permitted hereunder which, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, will ultimately produce the lowest overall net interest cost to the Metropolitan Government for the Bonds until their maturity; provided that Commercial Paper Period must be from 1 to 270 days in length and may not extend beyond a Conversion Date or any date set for redemption, and the first day next succeeding each Commercial Paper Period must be a Business Day.

For Daily Rate Bonds, the interest rate for any Daily Rate Period will be the rate established by the

Remarketing Agent by 9:30 a.m. on each Business Day which is equal to the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any. The Daily Rate shall be effective on the day of its determination to, but not including, (a) the date of determination of a new Daily Rate or (b) the next Conversion Date. The Remarketing Agent shall determine a preliminary Daily Rate for each Business Day by no later than 9:00 a.m., New York City Time, on such day. The preliminary Daily Rate shall be the minimum interest rate for such day. If a day is not a Business Day, then the Daily Rate shall be the Daily Rate determined for the immediately preceding Business Day.

For Weekly Rate Bonds, the interest rate for any Weekly Rate Period will be the rate established by the Remarketing Agent on the first day of such Weekly Rate Period, which is the minimum rate of interest necessary in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.

For Fixed Rate Bonds, the interest rate will be an annual rate established by the Remarketing Agent on or before the Fixed Rate Conversion Date which is the minimum fixed interest rate necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to sell all of the Bonds in the secondary market at a price equal to the principal amount thereof, plus a premium, not to exceed 3% of the principal amount thereof, to reimburse the Remarketing Agent for its fees, costs and expenses, if the Metropolitan Government delivers to the Paying Agent and Tender Agent an opinion of Bond Counsel to the effect that pricing to obtain such a premium will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income purposes.

For Monthly Rate Bonds, the interest rate for any Monthly Rate Period will be the rate established by the Remarketing Agent on the first Business Day of such Monthly Rate Period, which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any.

For Medium Term Rate Bonds, the interest rate for any Medium Term Rate Period will be the rate established by the Remarketing Agent on the first Business Day of such Medium Term Rate Period, which is the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest, if any, plus a premium, not to exceed 3% of the principal amount thereof, to reimburse the Remarketing Agent for its fees, costs and expenses, if the Metropolitan Government delivers to the Paying Agent and Tender Agent an opinion of Bond Counsel to the effect that pricing to obtain such a premium will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income purposes. For each Medium Term Rate Bond, each Purchase Date and the related Medium Term Rate Period will be established by the Remarketing Agent on or before the first day of each Medium Term Rate Period for such Bond as being the Purchase Date and Medium Term Rate Period permitted hereunder which, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, will enable the Remarketing Agent to remarket all of the Bonds in the secondary market on the date such rate is set; provided that Medium Term Rate Period may not extend beyond a Conversion Date.

Credit Provider Bonds will bear interest at the Credit Provider Rate. The Credit Provider will calculate the Credit Provider Rate in accordance with the Credit Facility and notify the Paying Agent and Tender Agent of the Credit Provider Rate. Purchased Bonds will bear interest at the Purchased Bonds Rate. The Liquidity Purchaser will calculate the Purchased Bonds Rate in accordance with the Liquidity Facility and notify the Paying Agent and the Tender Agent of the Purchased Bonds Rate.

**Notification of Interest Rate**

The Remarketing Agent will promptly advise in writing the Paying Agent, the Tender Agent and the Metropolitan Government of all interest rates determined by it and, for Commercial Paper Bonds and Medium Term Rate Bonds, all Interest Periods, principal amounts, Owners and Purchase Dates. Any determination of an interest rate and, in the case of Commercial Paper Bonds, determination of each Purchase Date, the next Rate Adjustment Date and the related Commercial Paper Period is conclusive and binding on the Metropolitan Government, the

Paying Agent, the Tender Agent, the Remarketing Agent, the Credit Provider, the Liquidity Purchaser and the Owners.

**Failure to Compute Interest Rates; Ineffective Interest Rates**

If the Remarketing Agent no longer determines, or fails to determine, when required, an interest rate, or if for any reason such manner of determination is held to be invalid or unenforceable by a court of law, the interest rates for the next Interest Period will be determined by the Tender Agent as follows:

(a) For Commercial Paper Bonds, the interest rate will be that interest rate borne by such Bonds during the preceding Commercial Paper Period.

(b) For Daily Rate Bonds, the interest rate will be that interest rate borne by such Bonds during the preceding Daily Rate Period.

(c) For Weekly Rate Bonds, the interest rate will be that interest rate borne by such Bonds during the preceding Weekly Rate Period.

(d) If the Remarketing Agent no longer establishes or fails to establish when required, a Commercial Paper Period for a Commercial Paper Bond, such Commercial Paper Period and all succeeding Commercial Paper Periods for such Bond will be that Commercial Paper Period which results in each succeeding Purchase Date for such Bond being the next Business Day until such time as the Remarketing Agent again establishes a Commercial Paper Period for such Bond.

(e) For Monthly Rate Bonds, the interest rate will be that interest rate borne by such Bonds during the preceding Monthly Rate Period.

(f) For Medium Term Rate Bonds, the interest rate will be that interest rate borne by such Bonds during the preceding Medium Term Rate Period.

**Conversion of Interest Rate**

(a) The interest rate on the Bonds is subject to Conversion to another interest rate mode, except from a Fixed Rate to another interest rate mode, in whole and not in part, at the option of the Metropolitan Government, by mailing a notice thereof to the Paying Agent, the Credit Provider or the Liquidity Purchaser, the Tender Agent and the Remarketing Agent at least 30 days before the Conversion Date and, if the Conversion is from the Commercial Paper Rate to another mode, accompanied by a preliminary opinion of Bond Counsel stating that such Conversion is authorized and in accordance with the Resolution and will not adversely affect the exclusion of the interest on any of the Bonds from the gross income of the recipient thereof for federal income tax purposes. On the Conversion Date, as a necessary condition to such Conversion, the Metropolitan Government must deliver to the Paying Agent and Tender Agent an opinion of Bond Counsel dated the Conversion Date confirming the preliminary opinion as of such Conversion Date. A Conversion may occur only (1) when the Conversion Date is a date on which the Bonds are subject to optional redemption, (2) if the Conversion Date would otherwise be an Interest Payment Date or if not, then it is a Business Day, (3) if the Credit Facility or Liquidity Facility, as applicable, is in the applicable Coverage Amount and (4) for a Conversion to the Commercial Paper Rate or the Medium Term Rate, if the Paying Agent and Tender Agent have received written confirmation from each Rating Agency that the ratings then in effect on the Bonds will not be reduced or withdrawn as a result of such Conversion. If the Bonds are Commercial Paper Bonds to be converted to another mode, the Conversion may not occur during a Commercial Paper Period for any Bond, but only on a day immediately following the end of the longest Commercial Paper Period in effect when the notice of Conversion is given and for purposes of Conversion, the Remarketing Agent shall determine the duration of the Commercial Paper Periods ending before the Conversion Date.

If the conditions to a Conversion referred to above are not satisfied on the Conversion Date, the proposed Conversion will not take place, and interest on the Bonds will remain in the same interest rate mode.

The Tender Agent will give notice by Mail to the Owners not less than 25 days before the Conversion Date. Such notice will state (A) that such Bonds are being converted, as set forth in the notice from the Metropolitan Government; (B) the Conversion Date; (C) the date and intended method by which the interest rate will be determined and the procedure, which may include the furnishing of a telephone number which Owners can call, for informing such Owners whether the conditions for Conversion have been met and, if so, the applicable interest rate, and if not, that a Conversion to such interest rate mode will not be effective; (D) the intended Interest Payment Dates and the Purchase Dates, if any, after the Conversion Date; (E) that, for a Conversion to Fixed Rate Bonds, the Bonds will no longer be subject to purchase on demand by the Owner thereof; (F) if applicable, that the Credit Facility or Liquidity Facility will no longer be in effect after the Conversion Date; (G) that every Bond (with an appropriate transfer of registration executed in blank and in form satisfactory to the Tender Agent) must be delivered to the Tender Agent (at its designated office) not later than the Conversion Date, or the next Business Day if the Conversion Date is not a Business Day, and in the absence of such delivery, will be deemed to have been delivered and purchased; (H) the ratings to be in effect on the Conversion Date; (I) the Purchase Price; (J) that no interest will accrue to the benefit of such Owners after the Purchase Date; (K) that every Outstanding Bond will be purchased by the Tender Agent on the Purchase Date; and (L) that the Owners will not have the right to retain any Bonds after such Conversion Date.

No Initial Rate Bond is subject to Conversion during the Initial Rate Period other than as a result of a mandatory tender for purchase as described herein.

**Tenders and Purchases**

***Optional Demand Purchase for Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds and Medium Term Rate Bonds***

Any Daily Rate Bond will be purchased, on the demand of the Owner, on any Business Day designated by the Owner (a *"Purchase Date"*). Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Tender Agent (at its designated office) not later than 10:00 a.m., New York City Time, on the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Daily Rate Bond to be purchased, (B) state the Purchase Date on which such Daily Rate Bond will be purchased and (C) irrevocably request such purchase.

Any Weekly Rate Bond or Monthly Rate Bond will be purchased, on the demand of the Owner, on any Business Day designated by the Owner (a *"Purchase Date"*) which is not less than seven days after the date notice of such demand is delivered in writing to the Tender Agent. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Tender Agent (at its designated office) not later than the seventh day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Weekly Rate Bond or Monthly Rate Bond to be purchased, (B) state the Purchase Date on which such Weekly Rate Bond or Monthly Rate Bond will be purchased, and (C) irrevocably request such purchase.

Any Medium Term Rate Bond will be purchased, on the demand of the Owner, on the last Interest Payment Date in the Medium Term Rate Period therefor (a *"Purchase Date"*) which demand shall not be less than 14 days prior to such Purchase Date. Any such purchase will be at the Purchase Price. To effect such purchase, the notice must be in writing and be delivered to the Tender Agent (at its designated office) not later than the 14th day before the Purchase Date and shall (A) state the number and principal amount (or portion thereof in an Authorized Denomination) of such Medium Term Rate Bond to be purchased, (B) state the Purchase Date on which such Medium Term Rate Bond will be purchased, and (C) irrevocably request such purchase. The Remarketing Agent will give notice by Mail to Owners not more than 45 days nor less than 35 days before a Purchase Date for Medium Term Rate Bonds, which notice shall state (A) what the next Purchase Date is, (B) where and when the proposed rate after the next Purchase Date may be obtained and (C) that the Medium Term Rate Bonds are subject to tender of the Owner as set forth in the preceding sentence.

The Tender Agent will promptly provide the Remarketing Agent with telephonic notice of the receipt of the notice referred to in the preceding paragraphs, confirmed in writing or by facsimile.

Any Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Medium Term Rate Bond with regard to which demand is made will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Daily Rate Bond, Weekly Rate Bond, Monthly Rate Bond or Medium Term Rate Bond (with an appropriate transfer of registration executed in blank and in form satisfactory to the Tender Agent) at the designated office of Tender Agent at or prior to 10:00 a.m., New York City Time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except on surrender of such Daily Rate Bonds, Weekly Rate Bonds, Monthly Rate Bonds or Medium Term Rate Bonds as set forth herein.

No Initial Rate Bonds are subject to purchase on demand of the Owner thereof.

### *Mandatory Purchase of Commercial Paper Bonds*

Each Commercial Paper Bond will be purchased, or deemed purchased, on the Rate Adjustment Date following the then current Commercial Paper Period relating to such Commercial Paper Bond (a *"Purchase Date"*) at the Purchase Price.

All Commercial Paper Bonds will be deemed to have been tendered for purchase on each Rate Adjustment Date with respect thereto. Delivery of such Commercial Paper Bond (with an appropriate transfer of registration executed in blank and in form satisfactory to the Tender Agent) at the designated office of the Tender Agent at or prior to 10:00 a.m., New York City Time, on the Rate Adjustment Date will be required for payment in same-day funds of the Purchase Price due on such Rate Adjustment Date. No Owner will be entitled to payment of the Purchase Price due on such Rate Adjustment Date except on surrender of such Commercial Paper Bonds. If, however, an Owner of Commercial Paper Bonds purchases such Bonds for successive Commercial Paper Periods, the Owner, on presentation of the Bonds, will receive interest and a new Commercial Paper Bond or Bonds for the next Commercial Paper Period with no exchange of cash in payment of the principal thereof except to the extent the principal amount purchased differs from the amount surrendered.

### *Mandatory Purchase on Conversion Dates*

On any Conversion Date with respect to any Bonds, whether or not a Conversion occurs (or in each case the next Business Day, if not a Business Day) (a *"Purchase Date"*), such Bonds must be delivered to the Tender Agent for purchase (with all necessary endorsements) at the Purchase Price.

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto. Delivery of such Bonds (with an appropriate transfer of registration executed in blank and in form satisfactory to the Tender Agent) at the designated office of the Tender Agent at or before 10:00 a.m., New York City Time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as described herein.

### *Mandatory Purchase on Credit Expiration Date*

The Bonds will be subject to mandatory tender to the Tender Agent for purchase at the Purchase Price on the Credit Expiration Date if the Tender Agent has not received evidence satisfactory to it by the 25th day preceding the Credit Expiration Date of either an extension of the then existing Credit Facility or the issuance of an Alternate Credit Facility meeting the requirements of the Resolution. The Tender Agent will give notice 20 days prior to the Credit Expiration Date to all Owners that the Bonds will be subject to mandatory tender to the Tender Agent for purchase at the Purchase Price on the date set forth in said notice. The Bonds will thereafter be subject to mandatory tender for purchase at the Purchase Price on the date set forth in the notice (a "Purchase Date").

### *Mandatory Purchase on Liquidity Expiration Date*

The Bonds will be subject to mandatory tender to the Tender Agent for purchase at the Purchase Price on the Liquidity Expiration Date if the Tender Agent has not received evidence satisfactory to it by the 25$^{th}$ day preceding the Liquidity Expiration Date of either an extension of the then existing Liquidity Facility or the issuance of an Alternate Liquidity Facility meeting the requirements of this Resolution. The Tender Agent will give notice 20 days prior to the Liquidity Expiration Date to all Owners that the Bonds will be subject to mandatory tender to the Tender Agent for purchase at the Purchase Price on the date set forth in said notice. The Bonds will thereafter be subject to mandatory tender for purchase at the Purchase Price on the date set forth in the notice (a "*Purchase Date*").

### *Mandatory Purchase on Notice of Event of Default under the Credit Facility or Liquidity Facility*

If a Credit Facility or Liquidity Facility is in effect and the Tender Agent receives written notice from the Credit Provider or Liquidity Purchaser that an event of default under the Credit Facility or Liquidity Facility has occurred and is continuing and directing the Tender Agent to call Bonds for mandatory tender, then the Tender Agent shall set the mandatory tender date to occur on the Credit Expiration Date or Liquidity Expiration Date following such notice of an event of default under the Credit Facility or Liquidity Facility, and the Tender Agent shall send notice to all Owners that the Bonds will be subject to mandatory tender to the Tender Agent for purchase at the Purchase Price on the date set forth in said notice. After such notice is given, the Bonds will be subject to mandatory tender for purchase at the Purchase Price on the date set forth in the Notice (a "Purchase Date").

All Bonds will be deemed to have been tendered for purchase on any Purchase Date with respect thereto.

Delivery of such Bonds (with an appropriate transfer of registration executed in blank and in form satisfactory to the Tender Agent) at the designated office of the Tender Agent at or prior to 10:00 a.m., New York City time, on the Purchase Date will be required for payment in same-day funds of the Purchase Price due on such Purchase Date. No Owner will be entitled to payment of the Purchase Price due on such Purchase Date except upon surrender of such Bonds as set forth in the Resolution.

***Mandatory Purchase at the End of Initial Rate Period***

The Bonds will be subject to mandatory tender to the Tender Agent for purchase at the Purchase Price at the end of the Initial Rate Period.

***Bonds Deemed Tendered for Purchase***

If Bonds have been deemed to have been delivered for purchase, the Bond Registrar will authenticate (and the Metropolitan Government execute, if necessary) a new Bond. The Tender Agent will promptly give notice by Mail to each Owner whose Bonds are deemed to have been purchased, which notice will state that interest on such Bonds ceased to accrue on the applicable Purchase Date and that moneys representing the Purchase Price of such Bonds are available against delivery thereof at the designated office of the Tender Agent. The Tender Agent will hold moneys for the purchase of Bonds in trust and uninvested, without liability for interest thereon, for the benefit of the former Owner of the Bond on such Purchase Date, who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part under the Resolution or on, or with respect to, such Bond.

***Source of Funds for Purchase of Bonds***

Except as provided above upon mandatory purchase resulting from a Credit Expiration Date or Event of Default under the Credit Facility or Liquidity Facility, on the date on which Bonds are delivered or deemed delivered for optional or mandatory purchase, the Paying Agent will purchase such Bonds from the Owners thereof at the Purchase Price. Funds for the payment of such Purchase Price will be derived solely from the following sources in the order of priority indicated and neither the Metropolitan Government, the Paying Agent, nor the Remarketing Agent will be obligated to provide funds from any other source:

(a) Remarketing Proceeds;

(b) Proceeds derived from a drawing under the Credit Facility, if the Credit Facility provides for such a drawing, or proceeds derived from a purchase of Bonds under the Liquidity Facility;

(c) Other Available Moneys held by the Paying Agent or the Tender Agent and available for such purpose; and

(d) To the extent that the foregoing are insufficient, moneys provided by the Metropolitan Government.

If funds from remarketing proceeds are not sufficient to provide for the Purchase Price of all Bonds delivered or deemed delivered, the Tender Agent will, no later than 10:30 a.m. New York City time on each Purchase Date, draw on the Credit Facility or the Liquidity Facility in accordance with the terms thereof to purchase the Bonds delivered or deemed delivered for purchase.

***Remarketing Limitations***

Bonds which have been called for redemption will only be remarketed to a purchaser who acknowledges that such Bonds have been called for redemption and will be redeemed on their redemption date. Bonds may not be remarketed unless (1) a Credit Facility or Liquidity Facility providing for the payment of the principal of and interest on, and Purchase Price of, the Bonds in the applicable Coverage Amount will be in effect following the remarketing of such Bonds or (2) the Bonds will bear interest at the Fixed Rate or Medium Term Rate and will be rated investment grade by any Rating Agency rating the Bonds immediately following such remarketing.

Bonds purchased by the Tender Agent from the date of notice of a conversion is given through the Conversion Date will not be remarketed except to a buyer who acknowledges at the time of such purchase the Bond is subject to repurchase on or before the Conversion Date. The interest rate on any Commercial Paper Bond not remarketed pending Conversion will be determined to have successive Commercial Paper Periods, each one day in duration, until Conversion. The Remarketing Agent will not remarket Credit Provider Bonds or Purchased Bonds, as the case may be, unless the Tender Agent has received written notice of reinstatement of the Credit Facility or Liquidity Facility, as the case may be, to the Coverage Amount; provided, however, no such notice is required if the Liquidity Facility or the Credit Facility, by its terms, automatically reinstates the Coverage Amount without written notice.

### *Optional Redemption*

The Variable Rate Bonds are subject to redemption at the direction of the Metropolitan Government, in whole at any time or in part on any Interest Payment Date (but only with respect to Bonds having such Interest Payment Date), at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date.

After the Fixed Rate Conversion Date, the Bonds are subject to redemption prior to maturity at the direction of the Metropolitan Government, in whole at any time or in part on any Interest Payment Date, upon notice as provided in the Resolution, (i) at the redemption price of 100% of the unpaid principal amount of the Bonds to be redeemed if on the first day of the Fixed Rate Period and (ii) if thereafter, at the times and at the redemption prices (expressed as percentages of unpaid principal amount) as set forth in the Resolution, with interest, if any, accrued thereon to the date fixed for redemption.

While the Bonds bear interest at a Medium Term Rate, the Bonds are subject to redemption prior to maturity at the direction of the Metropolitan Government, in whole at any time or in part on any Interest Payment Date, upon notice as provided in the Resolution, (i) at the redemption price of 100% of the unpaid principal amount of the Bonds to be redeemed if on the first day of the Medium Term Rate Period and (ii) if thereafter, at the times and at the redemption prices (expressed as percentages of unpaid principal amount) as set for in the Resolution, with interest, if any, accrued thereon to the date fixed for redemption.

The Metropolitan Government retains the option to revise such schedules as needed, provided that the Metropolitan Government delivers notice in accordance with the requirements of the Resolution and obtains an opinion of Bond Counsel that such revision will not affect the exclusion of interest on the Bonds from the gross income of the recipients thereof for federal income tax purposes.

### *Mandatory Redemption*

The Bonds shall mature on the fifteenth day of May 2026 and shall be subject to mandatory redemption prior to maturity, on the fifteenth day of May 2007 through 2026 at a redemption price equal to the principal amount redeemed, together with accrued interest on such principal amount to the redemption date, as follows:

| Redemption Date (May 15) | Principal Amount to be Redeemed | Redemption Date (May 15) | Principal Amount to be Redeemed |
|---|---|---|---|
| 2007 | $ 40,000 | 2017 | $ 3,060,000 |
| 2008 | 1,865,000 | 2018 | 3,230,000 |
| 2009 | 1,970,000 | 2019 | 3,410,000 |
| 2010 | 2,080,000 | 2020 | 3,605,000 |
| 2011 | 2,200,000 | 2021 | 3,810,000 |
| 2012 | 2,325,000 | 2022 | 4,025,000 |
| 2013 | 2,455,000 | 2023 | 4,255,000 |
| 2014 | 2,590,000 | 2024 | 4,490,000 |
| 2015 | 2,740,000 | 2025 | 4,750,000 |
| 2016 | 2,890,000 | 2026 | 5,015,000 |

### *Notice of Redemption*

Notice of redemption will be given by the Paying Agent by Mail, not less than 30 days before the redemption date to each Owner of the Bonds or portions thereof to be redeemed at their addresses as they appear on the Record Date on the registration books kept by the Bond Registrar. Failure of the registered Owners of any Variable Rate Bonds, which are to be redeemed, to receive any such notice shall not affect the validity of the proceedings for redemption of Variable Rate Bonds for which proper notice has been given. Such notice must (1) specify the Bonds to be redeemed, the redemption date, the redemption price and the place or places where amounts due on such redemption must be payable (which must be the principal office of the Bond Registrar and Paying Agent) and if less than all of the Bonds are to be redeemed, the numbers of the Bonds and the portions of Bonds to be redeemed, (2) state any condition to such redemption, and (3) state that on the redemption date, the Bonds to be redeemed will cease to bear interest. The Metropolitan Government's Treasurer may condition a call for redemption on the deposit with the Paying Agent and/or the Tender Agent of sufficient funds on or before the redemption date to retire the Bonds selected for redemption and, if sufficient funds are not available, such call for redemption will be revoked.

If moneys are on deposit with the Bond Registrar and Paying Agent to pay the principal amount of the Bonds called for redemption and premium and accrued interest thereon on a redemption date, Bonds or portions thereof thus called and provided for as hereinabove specified will not bear interest after such redemption date and will not be considered to be Outstanding or to have any other rights under the Resolution other than the right to receive payment.

***Selection of Bonds to be Redeemed***

If the Bonds are redeemed in part, the Bonds to be redeemed will be redeemed in such order as the Metropolitan Government shall select and within the same maturity as selected by the securities depository pursuant to its rules and procedures or, if a book-entry system with respect to the Bonds is discontinued, the Tender Agent will select the Bonds to be redeemed by lot in such manner as the Tender Agent in its discretion may deem proper, but Purchased Bonds and Credit Provider Bonds will be selected first for redemption. Each Authorized Denomination of principal amount represented by any Bond will be considered a separate Bond for purposes of selecting the Bonds to be redeemed.

If a Bond subject to redemption is in a denomination larger than the minimum Authorized Denomination, a portion of such Bond may be redeemed, but only in a principal amount such that the unredeemed portion of such Bond is equal to an Authorized Denomination. For any Bond in a denomination of more than the minimum Authorized Denomination, the Tender Agent shall treat each such Bond as representing a single Bond in the minimum Authorized Denomination plus that number of Bonds that is obtained by dividing the remaining principal amount of such Bond by the Minimum Authorized Denomination.

If it is determined that one or more, but not all, of the Authorized Denominations of principal amount represented by any Bond is to be called for redemption, then, on notice of intention to redeem such Authorized Denominations of principal amount of such Bond, the Owner of such Bond, on surrender of such Bond to the Tender Agent for payment of the principal amount of such Bond called for redemption, will be entitled to receive a new Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds representing the unredeemed balance of the principal amount of such Bonds will be issued to the Owner thereof without charge therefor.

If the Owner of any Bond of a denomination greater than the amount being redeemed fails to present such Bond to the Tender Agent for payment and exchange as aforesaid, such Bond will, nevertheless, become due and payable on the date fixed for redemption to the extent of the denomination being redeemed and to that extent only.

***No Partial Redemption After Default***

If an Event of Default occurs and is continuing under the Resolution, there will be no redemption of less than all of the Bonds Outstanding.

***Defeasance of Bonds***

If the Metropolitan Government shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Metropolitan Government shall also pay or cause to be paid all other sums payable hereunder by the Metropolitan Government with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Metropolitan Government to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Metropolitan Government shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided above, neither Defeasance Obligations nor moneys deposited with the Paying Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Metropolitan Government as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Metropolitan Government, as received by the Bond Registrar.

## BOOK-ENTRY PROVISIONS

### Book-Entry System

*The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of interest and principal on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined in this Official Statement) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the Metropolitan Government for inclusion in this Official Statement. Accordingly, the Metropolitan Government cannot make any representations concerning these matters.*

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market investments from over 100 countries that its DTC's Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC will mail an Omnibus Proxy to the Metropolitan Government as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Metropolitan Government or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Metropolitan Government, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Metropolitan Government or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

THE METROPOLITAN GOVERNMENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL

AMOUNT OF OR INTEREST ON THE BONDS, (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THE BOND ORDINANCE, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS THE NOMINEE OF DTC, AS REGISTERED OWNER. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE BONDHOLDERS OR REGISTERED HOLDERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

**Discontinuance of Book-Entry System**

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Metropolitan Government or the Paying Agent and Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The Metropolitan Government may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. In either of the situations described in this paragraph, definitive replacement Bonds shall be issued only upon surrender to the Metropolitan Government or an agent appointed by the Metropolitan Government of the Bonds by DTC, accompanied by registration instructions for the definitive replacement Bonds from DTC. The Metropolitan Government shall not be liable for any delay in delivery of such instructions and conclusively may rely on and shall be protected in relying on such instruction of DTC.

## LIQUIDITY FACILITY

**Initial Liquidity Facility**

The following is a summary of certain provisions of the Initial Liquidity Facility. The following summary does not purport to be a full and complete statement of the provisions of the Initial Liquidity Facility and the Initial Liquidity Facility should be read in full for a complete understanding of all the terms and provisions thereof. Copies of the Initial Liquidity Facility may be obtained upon request from the Office of the Metropolitan Treasurer. See Appendix B hereto for certain information regarding the Initial Liquidity Purchaser.

**General**

The Initial Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined in this Official Statement, the Initial Liquidity Facility or the Resolution, and reference thereto is made for full understanding of their import.

The Initial Liquidity Purchaser agrees, in the Initial Liquidity Facility, pursuant to the terms and conditions set forth therein, to purchase the Bonds that bear interest at a Covered Rate which are tendered but not remarketed. A "Covered Rate" is any one of the Initial Interest Rate, Daily Rate, Weekly Rate or Monthly Rate. The Initial Liquidity Facility is scheduled to terminate on May 15, 2013, unless extended or earlier terminated as provided therein.

The Initial Liquidity Facility evidences the commitment of the Initial Liquidity Purchaser to purchase Bonds in an amount equal to the principal amount of the Bonds (the "Available Principal Commitment") and amounts of interest as described below (the "Available Interest Commitment" which, together with the Available Principal Commitment, equal the "Available Commitment"), other than Purchased Bonds or Bonds owned by or on behalf of or held for the account or benefit of the Metropolitan Government or any Affiliate of the Metropolitan Government (such Bonds subject to purchase are hereinafter referred to as "Eligible Bonds"). The Available Interest Commitment means $874,593, representing 35 days' interest on the Available Principal Commitment based upon an assumed per annum rate of interest equal to 15.00% (based on the actual days elapsed in a year of 365/6 days, as applicable); in each case, as such amount shall be adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Available Principal Commitment pursuant to the definition of "Available Principal Commitment" bears to the initial Available Principal Commitment; and (b) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the definition of "Available Principal Commitment" bears to the initial Available Principal Commitment. Each of the Available Principal Commitment, the Available Interest Commitment and the Available Commitment may be reduced and/or reinstated as provided in the Initial Liquidity Facility. The Initial Liquidity Facility may be terminated under certain circumstances as described under the subcaptions "—Events of Default" and "—Remedies Upon an Event of Default" below.

If Eligible Bonds are not remarketed by the Remarketing Agent on the day Bonds are tendered or required to be tendered, the Tender Agent will give the Initial Liquidity Purchaser notice as provided in the Initial Liquidity Facility. Subsequent to receipt of such notice and upon the determination by the Initial Liquidity Purchaser that the conditions precedent to purchase specified in the Initial Liquidity Facility are satisfied, the Initial Liquidity Purchaser will transmit to the Tender Agent in immediately available funds an amount equal to the aggregate purchase price of such Eligible Bonds for which remarketing proceeds are not available as requested by the Tender Agent. Eligible Bonds purchased with such funds provided by the Initial Liquidity Purchaser (the "Purchased Bonds") will be registered by the Bond Registrar at the direction of the Initial Liquidity Purchaser.

THE INITIAL LIQUIDITY FACILITY IS NOT AVAILABLE AND DOES NOT SUPPORT THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS AS THE SAME BECOME DUE AND PAYABLE. THE INITIAL LIQUIDITY FACILITY PROVIDES THE FUNDS NECESSARY TO PAY THE PURCHASE PRICE OF TENDERED ELIGIBLE BONDS FOR WHICH REMARKETING PROCEEDS ARE NOT AVAILABLE. UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN, PURCHASES WILL NOT BE MADE UNDER THE INITIAL LIQUIDITY FACILITY AND, THEREFORE, FUNDS MAY NOT BE AVAILABLE TO PURCHASE TENDERED BONDS.

The Initial Liquidity Facility contains certain additional covenants and agreements of the Metropolitan Government, the breach of which could constitute an Event of Default under the Initial Liquidity Facility. The covenants and agreements contained in the Initial Liquidity Facility are for the benefit only of the Initial Liquidity Purchaser and may be waived at any time in the sole discretion of the Initial Liquidity Purchaser or amended at any time in accordance with the amendment provisions of the Initial Liquidity Facility. Bondholders are not entitled to, and should not, rely upon any of the covenants and agreements in the Initial Liquidity Facility.

**Events of Default**

As described below, the Initial Liquidity Facility provides that the obligation of the Initial Liquidity Purchaser to purchase Eligible Bonds tendered by Bondholders or subject to mandatory tender may be terminated or suspended upon the occurrence of certain events described in the Initial Liquidity Facility.

I. The following are Events of Default under the Initial Liquidity Facility which do NOT permit immediate termination of the Initial Liquidity Facility or suspension of the Initial Liquidity Purchaser's obligations under the Initial Liquidity Facility:

(i) The Metropolitan Government shall fail to pay when due any amounts (other than as described in II(C) below) owed by the Metropolitan Government to the Initial Liquidity Purchaser pursuant to the Initial Liquidity Facility.

(ii) Any material representation or warranty made by or on behalf of the Metropolitan Government in the Initial Liquidity Facility or in any Related Document or in any certificate or statement delivered under the Initial Liquidity Facility or under any Related Document shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made.

(iii) The Metropolitan Government shall fail to perform certain specified covenants in the Initial Liquidity Facility.

(iv) The Metropolitan Government shall fail to perform or observe any term, covenant or agreement (other than ones described under paragraphs (i) through (iii) above and (v) and (vi) immediately below) contained in the Initial Liquidity Facility or the Related Documents on its part to be performed or observed which failure continues for 30 days or more.

(v) Any event of default under any of the Related Documents shall occur other than a Default or Event of Default specified in clause II below.

(vi) A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Bonds is includable in the gross income of the holder(s) or owner(s) of such Bonds and either (i) the Metropolitan Government, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Metropolitan Government shall challenge such ruling, assessment, notice or advice and a court of law make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered.

II. Upon the occurrence of any of the following Events of Default, the Initial Liquidity Purchaser may, as described under the heading "Remedies Upon an Event of Default" below, immediately terminate its obligations under the Initial Liquidity Facility or suspend its obligations to purchase Eligible Bonds:

(A) An Event of Insolvency shall have occurred with respect to the Metropolitan Government.

(B) The Initial Liquidity Facility, the Bonds or the Resolution shall be declared by a final and nonappealable order of a court of competent jurisdiction to be not binding on the Metropolitan Government.

(C) Any failure, wholly or partially, to make timely any payment required to be made (i) on the Bonds (including Bank Bonds) or (ii) on any other Material Debt.

(D) The occurrence of a final, non-appealable judgment against the Metropolitan Government requiring payment by the Metropolitan Government of an amount in excess of $5,000,000 and such judgment is not satisfied within a period of at least 60 days from the date on which such judgment was rendered.

(E) The Metropolitan Government shall, in writing to the Tender Agent, the Initial Liquidity Purchaser or otherwise, (i) claim that the Resolution, the Bonds or the Initial Liquidity Facility, or any material provision thereof relating to payment of principal or interest, is not valid or binding on the Metropolitan Government, (ii) repudiate its obligations under the Resolution, the Bonds or the Initial Liquidity Facility and/or (iii) initiate any legal proceedings to seek an adjudication that the Resolution, the Bonds or the Initial Liquidity Facility is not valid or binding on the Metropolitan Government.

(F) (i) Any governmental entity with appropriate jurisdiction to rule on the validity of the Initial Liquidity Facility, the Bonds or the Resolution shall find or rule that the Initial Liquidity Facility, the Bonds or the Resolution, or any material provision thereof relating to payment of principal or interest, is not valid or not binding on the Metropolitan Government; or (ii) any governmental entity with appropriate jurisdiction over the Metropolitan Government and the affairs of the Metropolitan Government shall have declared or imposed a debt moratorium, debt adjustment or comparable restriction on repayment of the Bonds or any Material Debt.

(G) The rating assigned to the Bonds or any Material Debt by Moody's, S&P and Fitch shall be (i) withdrawn for credit-related reasons or (ii) lowered below "Baa3," "BBB-" and "BBB-", respectively.

**Remedies Upon an Event of Default**

Upon the occurrence of the Events of Default described above, the Initial Liquidity Purchaser shall have the following remedies:

(a) In the case of any Event of Default specified in clause II above, except as provided in paragraph (c) below, the Available Commitment and the obligation of the Initial Liquidity Purchaser to purchase Eligible Bonds shall immediately terminate without notice or demand, and thereafter the Initial Liquidity Purchaser shall be under no obligation to purchase Eligible Bonds. Upon such Event of Default, the Initial Liquidity Purchaser shall promptly give written notice of the same to the Tender Agent, the Metropolitan Government and the Remarketing Agent; provided, that the Initial Liquidity Purchaser shall not incur liability of any kind by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Available Commitment and of the obligation of the Initial Liquidity Purchaser to purchase Eligible Bonds pursuant to the Initial Liquidity Facility. The Tender Agent shall immediately notify all Bondholders of the termination of the Available Commitment and the obligation of the Initial Liquidity Purchaser to purchase the Eligible Bonds.

(b) In the case of any Event of Default as specified in clause I above, the Initial Liquidity Purchaser may give written notice of such Event of Default and termination of the Initial Liquidity Facility to the Metropolitan Government, the Tender Agent and Remarketing Agent stating that the obligation of the Initial Liquidity Purchaser to purchase Eligible Bonds under the Initial Liquidity Facility shall terminate on the thirtieth ($30^{th}$) day (or if such day is not a Business Day, the next succeeding Business Day, but, in either case a "Termination Date") after such notice is received by the Tender Agent and directing that the Bonds be called for mandatory tender pursuant to the Resolution. On the Termination Date, (i) the obligation of the Initial Liquidity Purchaser to purchase Eligible Bonds shall terminate; (ii) the Available Commitment shall terminate; and (iii) the Initial Liquidity Purchaser shall be under no obligation under the Initial Liquidity Facility to purchase Eligible Bonds.

(c) In the case of an Event of Default as specified in clause II(E) or clause II(F)(ii) above, the obligation of the Initial Liquidity Purchaser to purchase Eligible Bonds under the Initial Liquidity Facility shall be immediately suspended without notice or demand and, thereafter, the Initial Liquidity Purchaser shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Event of Default, the Initial Liquidity Purchaser shall notify the Metropolitan Government, the Tender Agent and the Remarketing Agent of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that the Initial Liquidity Purchaser shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way effect the suspension of the Available Commitment and of the Initial Liquidity Purchaser's obligation to purchase Eligible Bonds pursuant to the Initial Liquidity Facility. If a court with jurisdiction to rule on the validity of any one of the documents referred to in clause II(E) above or if a court with jurisdiction to rule on any action described in clause II(F)(ii) above shall find or rule by entry of a final and nonappealable judgment that any of such documents is not valid or not binding on the Metropolitan Government or fails to terminate an action described in clause II(F)(ii) by entry of a final and nonappealable judgment to such effect, then, in each such case, the Available Commitment and the obligation of the Initial Liquidity Purchaser to purchase Eligible Bonds shall immediately terminate without notice or demand and, thereafter, the Initial Liquidity Purchaser shall be under no obligation to purchase Eligible Bonds. If a court with jurisdiction to rule on the validity of any one of the documents referred to in clause II(E) or if a court with jurisdiction to terminate an action described in clause II(F)(ii) shall find or rule by entry of a final and nonappealable judgment that such document that is the subject of such Event of Default is valid and binding on the Metropolitan Government or that such action is to be terminated immediately, then, the Available Commitment and the obligations of the Initial Liquidity Purchaser under the Initial Liquidity Facility shall thereupon be reinstated (unless the Purchase Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in the Initial Liquidity Facility). Notwithstanding the foregoing, if, three (3) years after the effective date of suspension of the obligations of the Initial Liquidity Purchaser pursuant to this paragraph (c), litigation is still pending and a judgment regarding the validity of any one of the documents referred to in clause II(E) or an action described in clause II(F)(ii) as is the subject of such Event of Default has not been obtained, then the Available Commitment and the obligation of the Initial Liquidity Purchaser to purchase Eligible Bonds shall, at such time, terminate without notice or demand and, thereafter, the Initial Liquidity Purchaser shall be under no obligation to purchase Eligible Bonds. The Tender Agent shall immediately notify all Bondholders of the suspension and/or termination of the Available Commitment and the obligation of the Initial Liquidity Purchaser to purchase Eligible Bonds.

(iii) Upon the occurrence of an Event of Default as specified in any provision in clause I or II above, all amounts owed to the Initial Liquidity Purchaser under the Initial Liquidity Facility and under any Bank Bonds shall bear interest at the Default Rate and the Initial Liquidity Purchaser shall have all remedies provided at law or equity, including, without limitation, to accelerate all amounts due under the Initial Liquidity Facility (provided, *however*, the Initial Liquidity Purchaser shall not have the remedy of acceleration with respect to amounts owed under any Bank Bonds, *provided, further*, upon receipt of an Acceleration Notice, the Initial Liquidity Purchaser shall have the right to accelerate amounts owed under the Initial Liquidity Purchaser Bonds following the occurrence of an Event of Default) and specific performance. The Initial Liquidity Purchaser shall promptly provide written notice to the Tender Agent and the Metropolitan Government of any acceleration of the amounts due under the Initial Liquidity Facility.

The remedies provided in paragraphs (i), (ii) and (iii) immediately above, are not exclusive. The Initial Liquidity Purchaser reserves the right and shall have the right to pursue any other available remedies, whether provided by law, in equity, under the Resolution or under the Initial Liquidity Facility.

Upon the occurrence of any Event of Default under the Initial Liquidity Facility, all obligations due and payable under the Initial Liquidity Facility shall bear interest at the Default Rate.

## ESTIMATED SOURCES AND USES OF FUNDS

| Sources | | Uses | |
|---|---|---|---|
| Source | Amount | Purpose | Amount |
| Par Amount of Bonds | $ 60,805,000.00 | Retirement of the Outstanding Public Improvement Bonds, Series 1996 | $ 60,463,650.00 |
| | | Financing of Various Projects | 83,900.00 |
| | | Costs of Issuance (1) | 257,450.00 |
| | $ 60,805,000.00 | | $ 60,805,000.00 |

(1) Includes fee estimates for the financial advisors, bond counsel, rating agencies, printing, and other expenses associated with issuance of the Bonds.

## RATINGS

Applications were submitted and certain information was provided to Standard & Poor's, Moody's Investors Service, and Fitch Ratings for ratings on the Bonds based upon the Metropolitan Government and the Initial Liquidity Facility. Such rating agencies have assigned the ratings shown on the cover page of this Official Statement to the Bonds. The Metropolitan Government furnished to each rating agency certain information and materials which have not been included in this Official Statement. Such ratings reflect only the views of each rating agency, and any explanation of the significance of such ratings may be obtained only from the respective rating agency. Such ratings for the Bonds are subject to revision, suspension or withdrawal at any time by the respective rating agency, and any such revision, suspension or withdrawal may affect the market price or marketability of the Bonds. The ratings are not a recommendation to buy, sell or hold the Bonds.

## ADDITIONAL BORROWING PLANS

The Metropolitan Government is currently in the Fiscal Year 2006 - 2007 budgeting process that will include a review of the capital program for the next five years. The size of the capital program has not yet been determined. During construction, the Metropolitan Government finances authorized projects through its commercial paper program and ultimately through long-term general obligation debt. As such, the Metropolitan Government anticipates issuing between $200 and $250 million of general obligation bonds to retire commercial paper during the next year.

## CONTINUING DISCLOSURE

The continuing disclosure requirements of Paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule") are not applicable to the Bonds as of the date of original issuance of the Bonds by virtue of the provision of the Rule that exempts securities in authorized denominations of $100,000 or more that, at the option of the holder thereof, may be tendered to an Issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months.

## LITIGATION AND OTHER PROCEEDINGS

At the time of issuance, there is no pending litigation concerning the Bonds. Furthermore, there is no pending litigation challenging any financing made from the proceeds of any previously issued bonds.

## TAX EXEMPTION

### Federal Taxes

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers. For purposes of computing the alternative minimum tax imposed on certain corporations, however, interest on the Bonds is taken into account in determining adjusted current earnings. The Metropolitan Government must comply with all requirements of the Federal Tax Code that must be satisfied after the Bonds are issued for interest to be, or continue to be, excluded from gross income for federal income tax purposes. The Metropolitan Government has covenanted to comply with those requirements. The Metropolitan Government's failure to do so may cause interest to be included in gross income for federal income tax purposes, perhaps even starting from the date the Bonds were issued. Bond Counsel expresses no opinion about other federal tax consequences arising regarding the Bonds. The proceedings authorizing the Bonds do not provide for an increase in interest rates or a redemption of the Bonds in the event of taxability.

The Owners should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Owners should consult their tax advisors as to collateral federal income tax consequences.

### State of Tennessee

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book of the value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

## PURCHASER AND REMARKETING AGENT

The Purchaser and Remarketing Agent, Morgan Stanley & Co. Incorporated, has agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds from the Metropolitan Government at a purchase price of $60,805,000. The Purchaser will be obligated to purchase all the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than the initial public offering price, and such public offering price may be changed, from time to time, without notice by the Purchaser.

Morgan Stanley & Co. Incorporated has been appointed by the Metropolitan Government pursuant to the Remarketing Agreement to act as remarketing agent (the "Remarketing Agent") for the purposes described in the Resolution. The Remarketing Agent's office is located at 1221 Avenue of the Americas – 30th Floor, New York, NY 10020, Attn: Tax Exempt Securities Department Remarketing Coordinator. The Remarketing Agent will, under certain circumstances, determine the interest rates on the Bonds, will use its best efforts to remarket Bonds, and may from time to time effect purchases of Bonds. The Remarketing Agent may resign upon 60 days' notice to the Metropolitan Government and the Liquidity Purchaser or may be removed by the Metropolitan Government with the written consent of the Liquidity Purchaser upon 7 days' notice, effective upon the appointment of a successor Remarketing Agent or Agents.

While all the Bonds are registered in the name of a nominee of DTC, the Resolution requires the Remarketing Agent, or any successor in such capacity, to be the sole DTC Participant with respect to the Bonds.

## FINANCIAL ADVISOR

This Official Statement has been prepared under the direction of the Metropolitan Government of Nashville and Davidson County (Tennessee) by the Office of the Metropolitan Treasurer and with the assistance of Public Financial Management, Inc., Memphis, Tennessee (the "Financial Advisor"), employed by the Metropolitan Government to perform professional services in the capacity of financial advisor. The Financial Advisor has provided advice on the plan of financing and structure of the issue, reviewed and commented on certain legal and disclosure documents, and drafted certain portions of the Offering Statement based upon information provided by the Metropolitan Government.

The information set forth in this Official Statement has been obtained from the Metropolitan Government and other sources which are believed to be reliable. The Financial Advisor has not verified the factual information contained herein but has relied on the Metropolitan Government's data and the Metropolitan Government's Certificate as to the Offering Statement. As such, the Financial Advisor does not guarantee the accuracy of the factual information contained herein.

## CERTAIN LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Certain legal matters for the Metropolitan Government will be passed upon by the Office of the Director of Law for the Metropolitan Government, and for the Initial Liquidity Purchaser by its domestic counsel, Nixon Peabody LLP, New York, New York, and by its Irish in-house counsel. The Proposed Form of Opinion of Bond Counsel is included in APPENDIX C hereto.

## INDEPENDENT AUDITORS

The Metropolitan Government's general purpose financial statements as of the fiscal year ended June 30, 2005 are included in Appendix D and have been audited by KPMG LLP, independent auditors, as stated in their report.

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## MISCELLANEOUS

The agreement of the Metropolitan Government with the owners of the Bonds is fully set forth in the Resolution, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

The attached Appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

Approved by resolution of the Metropolitan Council of the Metropolitan Government of Nashville and Davidson County (Tennessee) on April 18, 2006.

**THE METROPOLITAN GOVERNMENT OF**
**NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)**

/s/ Bill Purcell
Bill Purcell
Metropolitan Mayor

/s/ David L. Manning
David L. Manning
Director of Finance

# PART II

# YEARLY INFORMATIONAL STATEMENT

## YEARLY INFORMATION STATEMENT

The Yearly Information Statement of the Metropolitan Government, including selected statistical and economic data, for the fiscal year ended June 30, 2005 has been posted on our website at **www.nashville.gov/finance/investor_relations.asp** and is included as Part II of this Official Statement.

Only the following items, each of which has been posted on the website referenced above, are described above and incorporated herein by reference:

- **THE METROPOLITAN GOVERNMENT**

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    Capital Improvements Budget

    Capital Projects Planning

  **Accounting**

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    Analysis of the Composition of Rates of Tax Levy

    Analysis of Original (Including Supplemental) Assessment of All Taxable Property

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    Analysis of Tax Levies and Collection – Ten Year Summary

    Schedule of Delinquent Property Taxes Receivable – by Type

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    Principal Taxpayers

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    Special Revenue Funds

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- **DEBT RATIOS**
- **CALCULATION OF SELF-SUPPORTING DEBT**

  **Historical Debt Ratios**

    Historical Debt Ratios – Ten Year Summary

    Total Debt Service Secured by ad Valorem Taxes

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- **MASS TRANSIT EXPENDITURES**

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# APPENDIX A

# DEFINITIONS OF CERTAIN TERMS

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## DEFINITIONS OF CERTAIN TERMS

The following is a brief summary of certain terms used in the Resolution. Such summary does not purport to be complete and reference is hereby made to the Resolution for full and complete terms and provisions thereof.

***"Additional Credit Facility"*** means any insurance policy, surety bond, letter of credit or line of credit or similar agreement satisfactory to the Metropolitan Government obtained to provide credit support for the Variable Rate Bonds in accordance with Section 5.8 of the Resolution.

***"Alternate Liquidity Facility"*** means for the purposes of the Resolution, an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement, as amended, supplemented or extended from time to time, providing for the purchase of all or a portion of the Variable Rate Bonds as provided in the Resolution.

***"Authorized Denominations"*** means, (1) with respect to any Bond bearing interest at a Variable Rate or a Medium Term Rate, $100,000 or multiples of $5,000 in excess thereof and (2) with respect to any Bond bearing interest at a Fixed Rate, $5,000 or any integral multiple thereof.

***"Authorized Officer of the Metropolitan Government"*** means the Metropolitan Mayor, the Vice Mayor, or the Director of Finance, or, in the case of any act to be performed or duty to be discharged, any other member, officer, or employee of the Metropolitan Government then authorized to perform such act or discharge such duty.

***"Available Moneys"*** means moneys which are continuously on deposit with the Tender Agent or the Paying Agent in trust for the benefit of the owners of the Bonds in a separate and segregated account in which only Available Moneys are held and which constitute (1) proceeds of the Bonds received contemporaneously with the issuance, delivery and sale of the Bonds, (2) other moneys held in any fund created under the Resolution that have been continuously on deposit in trust with the Tender Agent or the Paying Agent for the benefit of the owners of the Bonds for a period of 123 consecutive days during and prior to which no petition in bankruptcy under the U. S. Bankruptcy Code has been filed by or against the Metropolitan Government and no similar proceedings have been instituted under state insolvency or other laws affecting creditors' rights generally, (3) funds for which the Tender Agent or Paying Agent has received a written opinion of counsel nationally recognized in bankruptcy matters and acceptable to the Tender Agent or Paying Agent to the effect that payment of such moneys to the owners of the Bonds would not constitute an avoidable preference under the U.S. Bankruptcy Code or under applicable State law if the Metropolitan Government were to become a debtor under the U.S. Bankruptcy Code or under applicable state law, (4) a drawing under the Credit Facility, Liquidity Facility, or payments otherwise made under an Alternate Credit Facility or Alternate Liquidity Facility, or (5) the investment of funds qualifying as Available Moneys under the foregoing clauses.

***"Bank Bond Purchase Account"*** means the account by that name established pursuant to Section 4.2 of the Resolution.

***"Bond Counsel"*** means any firm of nationally recognized municipal bond attorneys selected by the Metropolitan Government and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for Federal income tax purposes.

***"Bond Registrar"*** initially means Deutsche Bank National Trust Company and any successor Bond Registrar appointed by the Director of Finance to serve as Bond Registrar hereunder who shall also be the Paying Agent.

***"Bonds"*** means the Metropolitan Government's General Obligation Refunding Bonds, Series 2006A.

***"Business Day"*** means any day other than (a) a day on which banks located in the cities in which the principal office of any of the Bond Registrar, the Paying Agent, the Tender Agent, the Remarketing Agent, the Liquidity Purchaser or the provider of the Credit Facility is located are required or authorized by law to close, (b) a day on which the New York Stock Exchange is closed, (c) a day on which the Metropolitan Government is closed, or (d) a day on which the payment system of the Federal Reserve System is not operational. For purposes of this definition, the principal office of the Liquidity Purchaser shall be that office at which demands for payment are to be presented under the Liquidity Facility.

***"Charter"*** means the Charter of The Metropolitan Government of Nashville and Davidson County authorized in referendum on June 28, 1962, as amended.

***"Code"*** means the Internal Revenue Code of 1986, as amended.

***"Commercial Paper Bonds"*** means Bonds bearing interest at the Commercial Paper Rate.

***"Commercial Paper Rate"*** means with respect to each Commercial Paper Bond, the interest borne by such Bond pursuant to Section 2.4(b)(i) of the Resolution.

***"Commercial Paper Period"*** means the Interest Period for any Commercial Paper Bond, then in effect, provided that such Interest Period may not extend beyond the 15th day preceding the Credit Expiration Date or if such 15th day is not a Business Day, the immediately preceding Business Day.

***"Conversion"*** means the conversion of the interest rate on the Bonds from one interest rate mode to another interest rate mode in accordance with the provisions of the Resolution.

***"Conversion Date"*** means the Interest Payment Date which is the effective date of any Conversion.

***"Coverage Amount"*** means, as of any given date, an amount equal to the principal amount of Bonds Outstanding secured by the Credit Facility or the Liquidity Facility in question plus (1) during any Commercial Paper Period or Medium Term Rate Period, such number of days' interest on the Bonds as may be required to maintain the ratings then in effect on the Bonds, (2) during any Daily Rate Period, Weekly Rate Period or Monthly Rate Period, 45 days' interest on such Bonds, computed at a rate per annum equal to the Maximum Interest Rate or (3) such other number of days as will not adversely affect the rating then in effect on such Bonds.

***"Credit Expiration Date"*** means the date which is five Business Days before the Credit Facility (1) is to terminate or expire, including any extension of such date, unless provision has been made in accordance with Section 2.7(d) of the Resolution for the delivery of an Alternate Credit Facility which does not result in the ratings then in effect on the Bonds being reduced or withdrawn; and (2) five Business Days prior to the effective date of an Alternate Credit Facility for which the Metropolitan Government has not received a Rating Confirmation Notice.

***"Credit Facility"*** means for the purposes of the Resolution, a letter of credit, a liquidity guarantee, a municipal bond insurance policy, a surety bond, line of credit, or other similar agreement or credit enhancement satisfactory to the Metropolitan Government.

***"Credit Provider Bonds"*** has the meaning ascribed to such term in Section 2.9(c) of the Resolution.

***"Credit Provider Rate"*** shall at any date of determination have meaning ascribed thereto in the Credit Facility in effect on such date.

***"Daily Rate"*** means the interest rate determined in accordance with Section 2.4(b)(ii) of the Resolution.

***"Daily Rate Bonds"*** means the Bonds bearing interest at the Daily Rate.

***"Daily Rate Period"*** means the period beginning on the date of determination of the Daily Rate and ending on the date of determination of a new Daily Rate or the next Conversion Date.

***"Defeasance Obligations"*** means any obligations that, at the time of the purchase thereof, are permitted investments under Tennessee law for the purposes described in Article VI of the Resolution.

***"Delivery Office"*** means the principal office of the Tender Agent or such other address as may be specified by the

Tender Agent for receiving Bonds and the notices set forth in Section 2.7 of the Resolution.

***"Director of Finance"*** means the Director of Finance of the Metropolitan Government appointed pursuant to the provisions of the Charter or, in the absence of such appointment or in the event the person so appointed is unable or incapable of acting in such capacity, the person appointed by the Metropolitan Mayor to perform the duties otherwise performed by the Director of Finance, or his designee.

***"Director of Law"*** means the Director of Law of the Metropolitan Government appointed pursuant to the provisions of the Charter or, in the absence of such appointment or in the event the person so appointed is unable or incapable of acting in such capacity, the person appointed by the Metropolitan Mayor to undertake the duties otherwise performed by the Director of Law, or his designee.

***"DTC"*** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for a series of Bonds.

***"Electronic Means"*** means telecopy, telegraph, telex, facsimile transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

***"Favorable Opinion of Bond Counsel"*** mean, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Act and the Resolution and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation.

***"Financial Advisor"*** means Public Financial Management, Inc.

***"Fitch"*** means Fitch Ratings, duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Fitch" shall be deemed to refer to any other recognized municipal securities rating agency designated by the Metropolitan Government.

***"Fixed Rate"*** means the Fixed Rate established in accordance with Section 2.4(b)(iv) of the Resolution.

***"Fixed Rate Bonds"*** means Bonds bearing interest at a Fixed Rate.

***"Fixed Rate Conversion Date"*** means the effective date of a Fixed Rate established in accordance with Section 2.6 of the Resolution.

***"Fixed Rate Period"*** means the period during which the Bonds bear interest at the Fixed Rate, which period ends on the maturity date of the Bonds.

***"General Services District"*** means the General Services District of the Metropolitan Government as defined and specified in the Charter.

***"Initial Rate"*** means the rate of interest borne by the Variable Rate Bonds during the Initial Interest Rate Period.

***"Initial Rate Bonds"*** means the Bonds bearing interest at the Initial Rate.

***"Initial Rate Period"*** means the period from and including the date of initial authentication and delivery of the Variable Rate Bonds to a date that is not more than 364 days after the date of initial authentication and delivery of the Variable Rate Bonds as shall be determined by the Director of Finance and set forth in the Initial Liquidity Facility.

***"Initial Liquidity Facility"*** means the Liquidity Facility entered into between DEPFA BANK plc, New York Branch, and the Metropolitan Government pursuant to Section 5.1 of the Resolution in substantially the form of the document attached to the Resolution as Exhibit D.

***"Initial Resolutions"*** means, collectively, resolutions RS2001-827, RS2002-1177, RS2004-330 and RS2004-576, adopted by the Metropolitan Council on December 18, 2001, October 15, 2002, July 20, 2004 and November 16, 2004, respectively.

***"Interest Payment Date"*** means (1) for all Initial Rate Bonds, Daily Rate Bonds, Weekly Rate Bonds and Monthly Rate Bonds, the fifteenth day of each calendar month and if such day is not a Business Day, then the next succeeding Business Day commencing on June 15, 2006; (2) for each Commercial Paper Bond, the Rate Adjustment Date immediately following the Commercial Paper Period for which such interest accrued; (3) for Medium Term Rate Bonds or Fixed Rate Bonds, each May 15 and November 15; (4) for Purchased Bonds, the dates established in the Liquidity Facility, (5) for Credit Provider Bonds, the dates established in the Credit Facility; and (6) the maturity date of the Bonds.

***"Interest Period"*** means (1) with respect to each Daily Rate Bond, Weekly Rate Bond or Monthly Rate Bond, the Daily Rate Period, Weekly Rate Period or the Monthly Rate Period applicable thereto or (2) with respect to each Commercial Paper Bond, Medium Term Rate Bond or Fixed Rate Bond, that period beginning on an Interest Payment Date or a Conversion Date through and including the date preceding the next Interest Payment Date.

***"Liquidity Expiration Date"*** means the date which is five Business Days before the Liquidity Facility (1) is to terminate or expire, including any extension of such date, unless provision has been made in accordance with Sections 2.7(d) and 2.15 for the delivery of an Alternate Liquidity Facility which does not result in the ratings then in effect on the Bonds being reduced or withdrawn; and (2) five Business Days prior to the effective date of an Alternate Liquidity Facility for which the Metropolitan Government has not received a Rating Confirmation Notice.

***"Liquidity Facility"*** means an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement, as amended, supplemented or extended from time to time, providing for the purchase of all or a portion of the Variable Rate Bonds as provided in the Resolution.

***"Liquidity Purchaser"*** means the provider of the Liquidity Facility then in effect.

***"Maximum Interest Rate"*** means the lesser of: (a) the maximum applicable interest rate, if any, permitted by Tennessee law or (b) fifteen percent (15%) per annum; provided, however, that in connection with Purchased Bonds and Credit Provider Bonds, "Maximum Interest Rate" shall mean the rate the Bonds bear while Purchased Bonds or Credit Provider Bonds, as set forth in the Liquidity Facility or Credit Facility, which in no event shall exceed the applicable maximum rate, if any, permitted under Tennessee law.

***"Medium Term Rate Bonds"*** means the Bonds bearing the Medium Term Rate.

***"Medium Term Rate"*** means the interest rate determined in accordance with Section 2.4(b)(vi) of the Resolution.

***"Medium Term Rate Period"*** means the period beginning on a Conversion Date after which the Bonds will bear interest at a Medium Term Rate and ending on the next succeeding Conversion Date.

***"Metropolitan Clerk"*** means the Metropolitan Clerk of the Metropolitan Government appointed pursuant to the provisions of the Charter or his or her designee acting on his or her behalf pursuant to the Charter.

***"Metropolitan Council"*** means the Metropolitan Council of the Metropolitan Government elected pursuant to the provisions of the Charter.

***"Metropolitan Government"*** means The Metropolitan Government of Nashville and Davidson County (Tennessee).

***"Metropolitan Mayor"*** means the Metropolitan Mayor elected pursuant to the provisions of the Charter or his or her designee acting on his or her behalf pursuant to the Charter.

***"Metropolitan Treasurer"*** means The Metropolitan Treasurer of the Metropolitan Government appointed pursuant to the provisions of the Charter, or his or her designee acting on his or her behalf pursuant to the Charter.

***"Monthly Rate"*** means the interest rate determined in accordance with Section 2.4(b)(v) of the Resolution.

***"Monthly Rate Bonds"*** means the Bonds bearing interest at the Monthly Rate.

***"Monthly Rate Period"*** means (1) the period beginning on a Conversion Date and ending on the day preceding the first Business Day of the month following such Conversion Date and (2) the period beginning on the first Business Day of a calendar month and ending on the day preceding the first Business Day of the following calendar month.

***"Moody's"*** means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Moody's" shall be deemed to refer to any other recognized municipal securities rating agency designated by the Metropolitan Government.

***"1996 Bonds"*** means the Metropolitan Government's outstanding General Obligation Public Improvement Bonds, Series 1996, dated June 15, 1996, maturing May 15, 2008 and thereafter.

***"Outstanding"*** means, when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, all Bonds that have been authenticated and delivered by the Bond Registrar hereunder, except:

(i) Bonds cancelled or delivered for cancellation at or prior to such date;

(ii) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited with the Paying Agent for the Holders of such Bonds or defeased pursuant to Section 6.1 of the Resolution, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Resolution or provision therefor satisfactory to the Paying Agent has been made; and

(iii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Resolution.

***"Owner", "Bondholder", "Holder"*** or any similar term, when used with reference to any of the Bonds, means any person or entity who is the registered owner of any of the Outstanding Bonds.

***"Paying Agent"*** means Deutsche Bank National Trust Company and any subsequent Paying Agent appointed by the Director of Finance to serve a Paying Agent hereunder.

***"Projects"*** shall mean one or more capital projects described in the Initial Resolutions.

***"Purchased Bonds"*** shall mean Variable Rate Bonds purchased by the Liquidity Purchaser for so long as such Variable Rate Bonds are subject to the Purchased Bonds Rate.

***"Purchased Bonds Rate"*** shall, at any date of determination, have the meaning ascribed thereto in the Liquidity Facility in effect on such date.

***"Purchase Date"*** means, (1) for a Commercial Paper Bond, the Rate Adjustment Date following the current Commercial Paper Period as set forth in Section 2.7(b) of the Resolution; (2) for Daily Rate Bonds, the Business Day as set forth in Section 2.7(a)(i) of the Resolution; (3) for Weekly Rate Bonds, the Business Day as set forth in Section 2.7(a)(ii) of the Resolution; (4) for Monthly Rate Bonds, the Business Day as set forth in Section 2.7(a)(iii) of the Resolution; (5) for Medium Term Rate Bonds, the Business Day as set forth in Section 2.7(a)(iv) of the Resolution; and (6) for all Bonds, any Business Day on which Bonds are subject to mandatory purchase pursuant to Section 2.7(c),(d) and (e) of the Resolution.

***"Purchase Price"*** means an amount equal to the aggregate principal amount of Bonds tendered for purchase plus, if the Purchase Date is not an Interest Payment Date, accrued interest to the Purchase Date.

***"Qualified Exchange Agreement"*** means any interest rate swap agreement, interest rate exchange agreement or hedge, including supplements and amendments thereto which meets the requirements set forth in the "Guidelines for Interest Rate and Forward Purchase Agreements" as promulgated by the Tennessee State Funding Board on July 30, 2002, as amended.

***"Qualified Swap or Swap Agreement"*** means any Qualified Exchange Agreement, which has been designated in writing to the Paying Agent by an Authorized Officer of the Metropolitan Government as a Qualified Swap with respect to such Variable Rate Bonds.

***"Qualified Swap Provider"*** shall mean any counterparty, whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations, under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or who has provided collateral such that its claims paying ability is rated (at the time the subject Qualified Swap is entered into) at least as high as required under the "Guidelines for Interest Rate and Forward Purchase Agreements" as promulgated by the Tennessee State Funding Board on July 30, 2002, as amended.

***"Rate Adjustment Date"*** means, with respect to Commercial Paper Bonds, the first Business Day immediately following the end of the preceding Commercial Paper Period applicable to such Bond.

***"Rating Agency"*** means Moody's, S & P or Fitch.

***"Rating Confirmation Notice"*** means a written notice from each Rating Agency confirming that, upon the effective date of the Alternate Liquidity Facility, the short-term ratings on the Variable Rate Bonds will not be lowered or withdrawn from the then current short-term rating as a result of action proposed to be taken.

***"Record Date"*** means (i) with respect to the Initial Rate Period, the Daily Rate Period, the Weekly Rate Period, the Monthly Rate Period and the Commercial Paper Period, the Business Day immediately preceding the Interest Payment Date and (ii) with respect to the Medium Term Rate Period and the Fixed Interest Period, the first day of the calendar month.

***"Refunded Bonds"*** means the 1996 Bonds maturing on and after May 15, 2008.

***"Remarketing Agent"*** means the successful bidder for the Bonds and any successor Remarketing Agent selected pursuant to Section 4.4 of the Resolution.

***"Remarketing Agreement"*** means the agreement to be entered into by the Metropolitan Government and the Remarketing Agent pursuant to Section 4.3 of the Resolution in substantially the form of the document attached to the Resolution as Exhibit C.

***"Remarketing Proceeds"*** means proceeds of the remarketing of Bonds tendered or deemed tendered for purchase under Section 2.7.

***"Remarketing Proceeds Account"*** means the account by that name established pursuant to Section 4.2 of the Resolution and held by the Tender Agent.

***"Resolution"*** shall mean the Resolution.

***"Securities Depositories"*** means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Dex-(215) 496-5058; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Securities Depositories shall mean such other securities depositories as the Metropolitan Government may designate in writing to the Bond Registrar, Paying Agent and Tender Agent.

***"Standard and Poor's" or "S & P"*** means Standard & Poor's Ratings Service, Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns; and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a municipal securities rating agency, "Standard and Poor's" shall be deemed to refer to any other recognized municipal securities rating agency designated by the Metropolitan Government.

***"Tender Agency Agreement"*** means the agreement to be entered into by the Metropolitan Government with the Tender Agent pursuant to Section 4.1 in substantially the form of the document attached to the Resolution as Exhibit B.

***"Tender Agent"*** means Deutsche Bank National Trust Company and any successor or successors thereto as shall be appointed pursuant to Section 4.1 of the Resolution.

***"Urban Services District"*** means the Urban Services District of the Metropolitan Government as defined and specified in the Charter.

***"Variable Rate Bonds"*** means the Initial Rate Bonds, the Commercial Paper Bonds, the Daily Rate Bonds, the Weekly Rate Bonds and the Monthly Rate Bonds.

***"Variable Rate Period"*** means the period during which the Bonds bear interest at the Variable Rate.

***"Variable Rate"*** means the Initial Rate Period, the Commercial Paper Rate, the Daily Rate, the Weekly Rate and the Monthly Rate.

***"Vice Mayor"*** means the Vice Mayor elected pursuant to the provisions of the Charter or his or her designee acting on his or her behalf pursuant to the Charter.

***"Weekly Rate"*** means the interest rate determined in accordance with Section 2.4(b)(iii) of the Resolution.

***"Weekly Rate Bonds"*** means the Bonds bearing interest at the Weekly Rate.

***"Weekly Rate Period"*** means the period beginning on, and including any Thursday (or, if not a Business Day, on the next succeeding Business Day) and ending on, and including the then next Wednesday (or the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds), except that (1) the first "Weekly Rate Period" for the Bonds means the period beginning on the date following the end of the Initial Rate Period and ending on the next succeeding Wednesday or the day immediately preceding the first day of the next Weekly Rate Period and (2) in the event of Conversion to Weekly Rate Bonds, the first "Weekly Rate Period" means the period beginning on the Conversion Date and ending on the next succeeding Wednesday (or the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds).

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# APPENDIX B

# OVERVIEW OF THE INITIAL LIQUIDITY PURCHASER

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## OVERVIEW OF THE INITIAL LIQUIDITY PURCHASER

The Initial Liquidity Facility will be provided by DEPFA BANK plc, acting through its New York Branch as the Initial Liquidity Purchaser.

*The following information has been provided by the Bank (at times referred to hereinafter as "DEPFA") for use in this Remarketing Circular. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority, the Governmental Unit or the Remarketing Agent. This information has not been independently verified by the Authority, the Governmental Unit or the Remarketing Agency. No representation is made by the Authority, the Governmental Unit or the Remarketing Agent as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

### DEPFA BANK

The following information has been provided by the Bank (at times referred to hereinafter as "DEPFA") for use in this Remarketing Circular. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority, the Governmental Unit or the Remarketing Agent. This information has not been independently verified by the Authority, the Governmental Unit or the Remarketing Agency. No representation is made by the Authority, the Governmental Unit or the Remarketing Agent as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DEPFA BANK plc ("DEPFA") is the parent company of the DEPFA BANK plc group of companies comprising DEPFA and its consolidated subsidiaries (the "Group"). DEPFA will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of DEPFA BANK plc, Dublin. DEPFA is based in Dublin and has a banking license issued under the Irish Central Bank Act, 1971 (as amended) and is supervised by the Financial Regulator. It is registered in the Irish companies Registration Office with company number 348819 and its shares are listed on the Frankfurt Stock Exchange. DEPFA has a network of subsidiaries, branches and offices across many European countries, as well as in North America and Asia.

The Group provides a broad range of products and services to public sector entities, from governmental budget financing and financing of infrastructure projects to placing of public sector assets and investment banking and other advisory services. The Group has direct client contacts with many state entities and focuses on those public sector entities involved in large volume business. The Group advises individual public sector borrowers on their international capital market transactions and preparations for the ratings process.

As of December 31, 2005, DEPFA had total consolidated assets of Euro 228.6 billion, shareholders' equity of Euro 2.3 billion and consolidated net income of Euro 475 million, determined in accordance with International Financial Reporting Standards (IFRS). DEPFA maintains its records and prepares its financial statements in Euro. At December 31, 2005, the exchange rate was 1.0000 Euro equals 1.1797 United States dollars. Such exchange rate fluctuates from time to time.

DEPFA is rated "Aa3" long-term and "P-1" short-term by Moody's, "AA-" long-term and "A-1+" short-term by S&P, and "AA-" long-term and "F1+" short-term by Fitch. On January 25, 2006, Fitch confirmed DEPFA's long term and short term rating. On November 25, 2005, S&P confirmed DEPFA's long term and short term rating. On December 2, 2005, the long-term ratings of DEPFA were placed on Watch List for review for possible downgrade by Moody's. This review does not affect DEPFA's short-term or covered bond ratings.

DEPFA will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: DEPFA BANK plc, New York Branch, 623 Fifth Avenue, 22nd Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date. In addition, updated financial information may be found from the DEPFA website at: www.depfa.com.

*The foregoing information has been provided by DEPFA BANK plc and is not intended to serve as a representation, warranty, or contract modification of any kind.*

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## APPENDIX C

## PROPOSED FORM OF OPINION OF BOND COUNSEL

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**Proposed Form of Opinion of Bond Counsel**

Bass, Berry & Sims PLC
315 Deaderick Street, Suite 2700
Nashville, Tennessee 37238-3001

May 11, 2006

We have acted as bond counsel to the Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Issuer") in connection with the issuance of $60,805,000 General Obligation Refunding Bonds, Series 2006 A, dated the date hereof (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other documents as we deemed necessary to render this opinion, including, but not limited to, Substitute Resolution No. RS2006-1269 (the "Resolution") authorizing the issuance and sale of the Bonds. The terms used herein, but not defined herein, shall have the respective meanings given such terms in the Resolution.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and are valid and binding general obligations of the Issuer.

2. The Resolution authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the Issuer for the payment of which the Issuer has validly and irrevocably pledged its full faith and credit and unlimited taxing power, and the full faith and credit of Metropolitan Government is pledged to the payment thereof.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. Except as set forth in this paragraph, we express no opinion regarding other federal tax consequences arising with respect to the Bonds. Furthermore, we express no opinion herein as to whether interest on the Bonds will continue to be excluded from gross income for federal income tax purposes following a Conversion Date, as such term is defined in the Resolution.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

**APPENDIX D**

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE**

**YEAR ENDED**

**JUNE 30, 2005**

## GENERAL PURPOSE FINANCIAL STATEMENTS

Audited Financial Statements of the Metropolitan Government of Nashville and Davidson County (Tennessee) ("the Metropolitan Government") and supplementary information as of and for the fiscal year ending June 30, 2005 together with the independent auditors' report from KPMG LLP (1) have been filed with each nationally recognized municipal securities information repository, as described herein under "Continuing Disclosure", and may be obtained from them in accordance with their respective procedures, (2) are available through the website of the Metropolitan Government's Department of Finance at www.nashville.gov/finance/investor_relations.asp , and (3) are included as part of this Appendix D. To the extent there are any differences between the electronically posted financial statements of the Metropolitan Government and the printed financial statements of the Metropolitan Government, the printed version shall control.

Only the following items, each of which has been posted on the website referenced above, are described above and incorporated herein by reference:

For the Year Ended June 30, 2005

- Independent Auditor's Report, dated October 31, 2005
- Management's Discussion and Analysis
- Statement of Net Assets
- Statement of Activities
- Balance Sheet, Governmental Funds
- Reconciliation of the Balance Sheet to the Statement of Net Assets, Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balance, Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, General Fund
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, General Purpose School Fund
- Statement of Net Assets, Proprietary Funds
- Statement of Revenues, Expenses and Changes in Fund Net Assets, Proprietary Funds
- Statement of Cash Flows, Proprietary Funds
- Statement of Fiduciary Net Assets, Fiduciary Funds
- Statement of Changes in Fiduciary Net Assets, Fiduciary Funds
- Statement of Net Assets, Component Units
- Statement of Activities, Component Units
- Notes to the Financial Statements