

**NEW ISSUE**  
**Book Entry Only**

**Fitch: AA+ (2005-2021 & 2024)/AAA (2022-2023)**  
**Moody's: Aa2 (2005-2021 & 2024)/Aaa (2022-2023)**  
**Standard & Poor's: AA (2005-2021 & 2024)/AAA (2022-2023)**  
**(See "RATINGS" herein)**

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Metropolitan Government, interest on the Bonds will be 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; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law, which may result from the ownership of the Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "Tax Matters" herein).*

**\$122,100,000**  
**THE METROPOLITAN GOVERNMENT OF**  
**NASHVILLE AND DAVIDSON COUNTY**  
**(TENNESSEE)**  
**General Obligation Multi-Purpose Bonds, Series 2003**

**Dated: Date of Delivery**

**Due: April 1**  
**(as shown on the inside cover)**

The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government") will issue its \$122,100,000 General Obligation Multi-Purpose Bonds, Series 2003 (the "Bonds") in fully registered form, without coupons, and, when issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form only, in denominations of \$5,000 or multiples thereof through DTC Participants. Interest on the Bonds will be payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2004 calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of principal, premium, if any, and interest on the Bonds are to be made to purchasers by DTC through the Participants (as such term is herein defined). Purchasers will not receive physical delivery of Bonds purchased by them. See "DESCRIPTION OF THE BONDS -- Book-Entry Only System."

The Bonds are subject to redemption prior to their stated maturities as more fully set forth herein.

**THE BONDS WILL BE DIRECT GENERAL OBLIGATIONS OF THE METROPOLITAN GOVERNMENT. THE FULL FAITH, CREDIT AND TAXING POWER OF THE METROPOLITAN GOVERNMENT ARE IRREVOCABLY PLEDGED FOR THE PROMPT PAYMENT OF THE PRINCIPAL OF PREMIUM, IF ANY, AND INTEREST ON THE BONDS. THE BONDS ARE PAYABLE FROM TAXES LEVIED ON ALL TAXABLE PROPERTY IN THE URBAN SERVICES DISTRICT AND THE GENERAL SERVICES DISTRICT OF THE METROPOLITAN GOVERNMENT WITHOUT LIMITATION AS TO RATE OR AMOUNT.**

The scheduled payment of principal of and interest on the Bonds maturing on April 1 of the years 2022 and 2023 (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued simultaneously with the delivery of the Insured Bonds by FINANCIAL GUARANTY INSURANCE COMPANY.



**Financial Guaranty Insurance**  
**Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

The Bonds are offered when, as and if issued by the Metropolitan Government, subject to the approval of legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Certain legal matters will be passed upon for the Metropolitan Government by Karl Dean, Director of Law. It is expected that the Bonds will be available for delivery through the Depository Trust Company in New York, New York, on or about December 2, 2003.

**Morgan Keegan & Company, Inc.**

**\$122,100,000**  
**THE METROPOLITAN GOVERNMENT OF**  
**NASHVILLE AND DAVIDSON COUNTY**  
**(TENNESSEE)**

**General Obligation Multi-Purpose Bonds, Series 2003**

<u>Year (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Year (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2005	4,605,000	2.000%	1.320%	2015	6,225,000	5.000%	3.770%*
2006	4,675,000	4.000%	1.610%	2016	5,880,000	5.000%	3.890%*
2007	4,765,000	4.000%	1.970%	2017	6,080,000	4.000%	4.140%
2008	4,875,000	5.000%	2.300%	2018	6,425,000	4.125%	4.240%
2009	5,005,000	5.000%	2.600%	2019	7,405,000	5.000%	4.230%*
2010	5,160,000	5.000%	2.900%	2020	7,750,000	5.000%	4.310%*
2011	5,270,000	5.000%	3.170%	2021	7,365,000	4.375%	4.500%
2012	4,810,000	5.000%	3.410%	2022**	8,515,000	4.750%	4.550%*
2013	5,050,000	5.000%	3.530%*	2023**	8,935,000	4.750%	4.630%*
2014	5,305,000	5.000%	3.650%*	2024	8,000,000	4.500%	4.600%

\*Priced to the April 1, 2012 optional redemption date at a redemption price of 100.0%.

\*\* Principal and interest payments insured by FGIC.

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 in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction. No dealer, broker, salesman or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor the sale of any of the Bonds implies that there has been no change in the affairs of the Metropolitan Government or the other matters described herein since the date hereof. The information set forth herein has been provided by the Metropolitan Government and by other sources believed to be reliable, but the information is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Purchaser.

Questions regarding information in this Official Statement should be directed to Celia Y. Kirby, Treasurer, Metropolitan Government, 222 Third Avenue North, Suite 110, Nashville, Tennessee 37201 (615-862-6210).

This Preliminary Official Statement is deemed to be final (except for permitted omissions) for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission.

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**GOVERNMENT OFFICIALS**

**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 County Council

---

David L. Manning  
Director of Finance

Karl Dean  
Director of Law

---

Celia Y. Kirby  
Metropolitan Treasurer

Mitzi F. Martin  
Chief Accountant

---

Marilyn S. Swing  
Metropolitan Clerk

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

**SUMMARY OF GENERAL FUND, FISCAL YEARS 1998-2002**  
(in thousands of dollars)

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Beginning Fund Balance	\$100,051	\$88,196	\$57,970	\$58,396	\$71,017
Revenues	633,548	565,698	558,415	547,903	528,690
Expenditures	(575,598)	(464,026)	(466,569)	(470,473)	(460,486)
Other Financing Sources (Uses)	(48,513)	(90,963)	(82,834)	(77,856)	(80,930)
Total Accounting Adjustments and Other Changes	-	1,146	91	-	105
Ending Fund Balance	\$109,488	\$100,051	\$67,073	\$57,970	\$58,396
Ending Unreserved Fund Balance	\$63,858	\$85,193	\$35,472	\$32,264	\$31,279

**UNAUDITED GENERAL FUND RESULTS, FISCAL YEAR 2003**

	<u>Combined General Fund</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>
Revenues	641,344,208	652,960,103	11,615,895
Expenditures	700,284,079	683,174,780	17,109,299
Fund Balance Draw	<u>(58,939,871)</u>	<u>(30,214,677)</u>	<u>28,725,194</u>

Source: Metropolitan Government Department of Finance

**UNAUDITED CHANGE IN FUND BALANCE BETWEEN FY 2002 & FY 2003**

	<u>Fund Balance</u>
<b>June 30, 2002 Undesignated Fund Balance</b> (after reserve for 2003 Budget)	<b>\$ 63,858,137</b>
Change in Reserves in Fund Balance	404,748
Reserve for Subsequent Year Budget (FY03 Budget)	39,852,184
FY03 Excess Revenue over Expenditures	(30,214,677)
	<u>9,637,507</u>
June 30, 2003 Undesignated Fund Balance (before reserve for 2004 Budget)	\$ 73,900,392
Reserve for Subsequent Year Budget (FY04 Budget)	<u>(42,475,200)</u>
	<u>(42,475,200)</u>
<b>June 30, 2003 Undesignated Fund Balance</b> (after reserve for 2004 Budget)	<b>\$ 31,425,192</b>

Source: Metropolitan Government Department of Finance

The above information relates solely to Metro's General Fund. Including Undesignated Fund Balances from Schools, Debt Service Funds, and the Special Revenue - General Fund 4% Reserve would produce a combined Undesignated Fund Balance of \$205,492,377 for Fiscal Year 2003, unaudited.

**This Summary of the Offering is not intended to be complete. Before purchasing the Bonds, the purchaser should refer to the Official Statement in its entirety.**

**SUMMARY OF THE OFFERING**

THE BONDS.....	\$122,100,000 The Metropolitan Government of Nashville and Davidson County (Tennessee), General Obligation Multi-Purpose Bonds, Series 2003.
BOOK ENTRY SYSTEM.....	The Bonds will be registered to Cede & Co., as nominee of the Depository Trust Company, New York, New York, to which principal and interest payments on the Bonds will be made. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical delivery of bond certificates, but each beneficial owner will receive a credit balance on the books of the Participant (as defined herein) from whom the beneficial owner purchased the Bonds. The credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased.
DENOMINATION.....	Fully registered bonds, \$5,000 or any integral multiple thereof.
DATE OF ISSUE; DELIVERY.....	The Bonds will be delivered on or about December 2, 2003 and will be dated the delivery date.
INTEREST PAYMENTS.....	Interest is payable on April 1 and October 1, commencing April 1, 2004.
OPTIONAL REDEMPTION.....	The Bonds maturing on or before April 1, 2012 will not be subject to optional redemption prior to their respective maturity dates. The Bonds maturing on and after April 1, 2013 may be redeemed prior to their respective maturity dates at the option of the Metropolitan Government at the redemption prices as set forth herein.
PURPOSE.....	The Bonds are being issued to pay the principal and interest on certain of the Metropolitan Government's maturing commercial paper notes (see "DESCRIPTION OF THE BONDS") and to pay costs of issuance related to the Bonds.
SECURITY.....	The Bonds will be direct general obligations of the Metropolitan Government. The full faith, credit and taxing power of the Metropolitan Government are irrevocably pledged for the prompt payment of the principal of, premium, if any, and interest on the Bonds. The Bonds are payable from taxes levied on all taxable property in the Urban Services District and the General Services District of the Metropolitan Government without limitation as to rate or amount.
BOND INSURANCE.....	The scheduled payment of principal and interest on the Insured Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL GUARANTY INSURANCE COMPANY. (See "Bond Insurance" herein).
BOND COUNSEL.....	Bass, Berry & Sims, PLC, Nashville, Tennessee

TAX STATUS.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Metropolitan Government, interest on the Bonds will be 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; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law that may result from the ownership of the Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "Tax Matters" herein).
FINANCIAL ADVISOR.....	Public Financial Management, Inc.
PAYING AGENT / REGISTAR.....	Deutsche Bank National Trust Company
FINANCIAL STATEMENTS.....	Independent auditors have audited financial statements for the years ended June 30, 1998 through 2002. Information presented herein is derived from these audited financial statements.

**OFFICIAL STATEMENT**

**\$122,100,000**

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

**General Obligation Multi-Purpose Bonds, Series 2003**

**INTRODUCTORY STATEMENT**

The purpose of this Official Statement, including the financial information contained in the Appendices attached hereto, is to furnish information in connection with the sale by The Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government") of \$122,100,000 General Obligation Multi-Purpose Bonds, Series 2003 (the "Bonds").

The Bonds are to be issued under and subject to the provisions of Title 9, Chapter 21 of Tennessee Code Annotated, as amended (the "Act"), the Charter of the Metropolitan Government (the "Charter") which was approved by referendum on June 28, 1962, as amended, and a bond resolution adopted by the Metropolitan County Council (the "Metropolitan Council") of the Metropolitan Government on October 21, 2003 (the "Bond Resolution").

All financial and other information presented in this Official Statement has been provided by the Metropolitan Government from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information, and is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Metropolitan Government. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

**DESCRIPTION OF THE BONDS**

**Purpose of the Bonds**

The Bonds are being issued to pay the principal and interest on certain of the Metropolitan Government's maturing commercial paper notes (in the form of bond anticipation notes) in the principal amounts and on the dates set forth below (the "Notes"). The Notes were issued to finance general capital improvements for the Metropolitan Government. Proceeds of the Bonds will also be used to pay costs of issuance of the Bonds.

<u>Maturity Date</u>	<u>Principal</u>
December 3, 2003	\$35,000,000
January 7, 2004	\$42,000,000
February 2, 2004	\$ 8,000,000
February 9, 2004	\$ 9,000,000
February 10, 2004	\$16,000,000
February 11, 2004	\$17,000,000

The proceeds of the Bonds will be deposited with Deutsche Bank National Trust Company, the issuing and paying agent for the Notes (the "Note Paying Agent"), and invested by the Note Paying Agent until needed to pay the principal and interest on the Notes. The Note Paying Agent will invest such proceeds in obligations permitted under Tennessee law (the "Escrowed Securities"). Interest accrued on the proceeds of the bond issue will be available for the payment of interest on the Bonds after the commercial paper has been refunded.

## General

The Bonds will be issued as fully registered book-entry bonds in the aggregate principal amount of \$122,100,000 and will be dated the date of delivery. Interest on the Bonds, at the rates per annum set forth on the inside of the cover page and calculated on the basis of a 360-day year, consisting of twelve 30-day months, will be payable semiannually on April 1 and October 1 of each year (herein an "Interest Payment Date"), commencing April 1, 2004.

The Bonds will mature on the dates set forth on the inside of the cover page.

The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Deutsche Bank National Trust Company (the "Registration Agent") will make all interest payments with respect to the Bonds on each Interest Payment Date directly to the registered owners as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the final day of the month next preceding the Interest Payment Date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Metropolitan Government in respect of such Bonds to the extent of the payments so made. Payment of principal of and premium, if any, on the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent, as the same shall become due and payable. All rates of interest specified in the Bond Resolution shall be computed on the basis of a three hundred sixty day year composed of twelve (12) months of thirty (30) days each. In the event the Bonds are no longer registered in the name of DTC or its successor or assigns, if requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Bonds, payment of interest on such Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Metropolitan Government to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Metropolitan Government shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Metropolitan Government shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Metropolitan Government of such Special Record Date and, in the name and at the expense of the Metropolitan Government, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Bond Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Metropolitan Government to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Bonds when due.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders, Owners or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See Appendix C – "Information Related to Depository Trust Company."

## **Optional Redemption**

The Bonds maturing on or before April 1, 2012 will not be subject to optional redemption prior to their respective maturity dates. The Bonds maturing on and after April 1, 2013 may be redeemed prior to their respective maturity dates at the option of the Metropolitan Government on or after April 1, 2012, in whole or in part at any time at the redemption price of par, together with accrued interest thereon to the redemption date.

If less than all of the Bonds are called for redemption, the maturities of such Bonds to be redeemed shall be selected by the Metropolitan Council in its discretion. If less than all of the Bonds within a maturity should be called for redemption, then the portions thereof to be redeemed will be selected as set forth in "Description of the Bonds - Book-Entry Only System." The Metropolitan Government shall, so long as DTC or DTC's nominee is the registered owner of the Bonds, mail notice of redemption to DTC no less than 30 days nor more than 60 days prior to any redemption date as set forth in the following paragraph, and the Metropolitan Government shall not be responsible for mailing notices of redemption to Participants or Indirect Participants or to the Beneficial Owners of the Bonds. Any failure by DTC to mail such notice to any Participant will not affect the validity of such redemption.

Notice of call for redemption shall be given by the Registration Agent on behalf of the Metropolitan Government not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The Registration Agent shall mail said notices, in the case of mandatory redemption of term Bonds, as and when provided in the Bond Resolution and in the Bonds, and, in the case of optional redemption, as and when directed by the Metropolitan Government pursuant to written instructions from an Authorized Representative of the Metropolitan Government given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Registration Agent shall treat Cede & Co. as the only owner of the Bonds for all purposes, including the giving of notices of redemption. Neither the Metropolitan Government nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to the delivery or timeliness of delivery by DTC or any DTC Participant of any redemption notice. For a discussion of the notice procedures of DTC, see APPENDIX C-"INFORMATION RELATED TO DEPOSITORY TRUST COMPANY."

## **Security and Remedies**

The Bonds, including the principal thereof, premium, if any, and interest thereon, are payable from ad valorem taxes to be levied on all taxable property in the General Services District of the Metropolitan Government without limit as to time, rate, or amount. The Bonds shall be direct general obligations of the Metropolitan Government, and the full faith and credit of the Metropolitan Government, together with the taxing power of the Metropolitan Government as to all taxable property in the General Services District of the Metropolitan Government, are irrevocably pledged to the payment of the Bonds.

The Metropolitan Government levies taxes in two different taxing districts, one being the Urban Services District, which is an area described in the Charter of the Metropolitan Government generally corresponding to the old city limits of the City of Nashville as they existed before the formation of The Metropolitan Government of Nashville and Davidson County, and the other being the General Services District, which is also described in the Charter and encompasses all property within the Metropolitan Government. The Metropolitan Government also levies a tax for school purposes on all taxable property within the Metropolitan Government. Principal of and interest on the Bonds issued to pay Notes issued to finance projects developed and constructed within and for the benefit of the Urban Services District will be paid from the debt service fund of the Urban Services District, and principal of and interest on the Bonds issued to pay Notes issued to finance projects that will benefit the entire County will be paid from the debt service fund of the General Services District. Principal of and interest on Bonds issued to pay Notes issued to finance school projects will be paid from the school debt service fund. For the purpose of providing for the payment of the principal of, premium, if any, and interest on the Bonds, the Metropolitan Government will levy in each year in which such Bonds shall be outstanding a direct tax on all taxable property in the General Services District of the Metropolitan Government, fully sufficient to pay all such principal, premium, if any, and interest falling due prior to the time of collection of the next succeeding tax levy; provided, however, taxes so levied in the General Services District shall be levied in an amount sufficient to pay that portion of such principal and interest attributable to the General Services District projects and the school projects and

the taxes so levied in the Urban Services District shall be levied in an amount sufficient to pay that portion of such principal, premium and interest attributable to the Urban Services District projects; provided, further, however, that the Metropolitan Government shall be unconditionally and irrevocably obligated to levy and collect ad valorem taxes without limit as to rate or amount on all taxable property in the General Services District to the full extent necessary to pay all principal, premium and interest, on the Bonds, and the full faith and credit of Metropolitan Government shall be pledged to the payment thereof. Said tax shall be assessed, collected and paid at the time, and in the same manner, as the other taxes of said General Services District of the Metropolitan Government, shall be in addition to all other taxes, and shall be without limitation as to time, rate, or amount. Principal, premium, if any, and interest, or any of the foregoing, falling due at any time when there shall be insufficient funds on hand from such tax levy for the payment thereof shall be paid from current funds of said General Services District of the Metropolitan Government, but reimbursement therefor may be made from the taxes when the same shall have been collected.

Any holder or holders of the Bonds shall have the right, in addition to all other rights: (a) to enforce, by mandamus or other suit, action or proceeding in any court of competent jurisdiction, such holder's rights against the Metropolitan Government, the Metropolitan Council and any officer, agent or employee of the Metropolitan Government, including, but not limited to the right to require the Metropolitan Government and the Metropolitan Council and any proper officer, agent or employee of the Metropolitan Government to assess, levy and collect taxes adequate to carry out any other covenants and agreements as to the assessment, levy, and collection of taxes and to perform its and their respective duties under the provisions of Title 9, Chapter 21, of the Tennessee Code Annotated, as amended; and (b) to enjoin, by action or suit in equity, any acts or things which may be unlawful or a violation of the rights of such holder or holders of the Bonds.

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

DTC 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). One fully registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Information relating to DTC and the Book-Entry Only system is contained in Appendix C.

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Bond Resolution, including receipt of all principal of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or directing the Registration Agent to take or not to take, or consenting to, certain actions under the Bond Resolution.

Payments of principal, premium, if any, and interest with respect to the Bonds, so long as Cede & Co. is the registered owner of the Bonds, shall be paid by the Registration Agent directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. Neither the Metropolitan Government nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

Neither the Metropolitan Government nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Beneficial Owners; (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

## **Defeasance**

The Metropolitan Government may pay, discharge and defease 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, premium, if any, 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, in trust or escrow, on or before the date of maturity or redemption, sufficient money or Federal Obligations, 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. Federal Obligations means direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations which at the time of the purchase thereof are permitted investments under Tennessee law which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof; or

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

If the Metropolitan Government shall also pay or cause to be paid all other sums payable under the Bond Resolution by the Metropolitan Government with respect to such Bonds, or make adequate provision therefor, and instruct agent to hold such amounts in escrow and to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then the Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Metropolitan Government of 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 (a) or (b) above, then the registered owners of such Bonds shall thereafter be entitled only to payment out of the money or Federal Obligations deposited for such purpose.

## **BOND INSURANCE**

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company (“Financial Guaranty”) will issue its Municipal Bond New Issue Insurance Policy (the “Policy”) for the Insured Bonds maturing in the years 2022 and 2023 described in the Policy (as used under this heading, the “Bonds”). The Policy unconditionally guarantees the payment of that portion of the principal and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the “Issuer”). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the “Fiscal Agent”), on the later of the date on which such principal or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner’s right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner’s rights to payment of such principal or interest (as applicable) shall be vested in Financial Guaranty. The term “nonpayment” in respect of a Bond includes any payment of principal or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

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

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should

be made to the description of the Metropolitan Government for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

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

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of June 30, 2003, the total capital and surplus of Financial Guaranty was approximately \$1.014 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

On August 4, 2003, General Electric Company ("GE") announced that its indirect, wholly owned subsidiary, FGIC Holdings, Inc. ("Holdings"), had entered into an agreement to sell the Corporation (and Financial Guaranty) to Falcons Acquisition Corp. ("Newco"), a newly-formed Delaware corporation owned by a consortium of investors consisting of The PMI Group, Inc. and private equity funds affiliated with Blackstone Group, Cypress Group and CIVC Partners, subject to receipt of regulatory approvals, written confirmations from Moody's, Standard & Poor's and Fitch that Financial Guaranty's insurance financial strength rating will remain at Aaa, AAA and AAA, respectively, immediately following the closing of the contemplated transactions, and satisfaction of other closing conditions. Immediately following the closing, it is expected that Newco will be merged with and into the Corporation and that GE (through its subsidiaries) will retain \$234.6 million of preferred stock, and less than 5% of the common stock, of the Corporation.

#### **ESTIMATED SOURCES AND USES OF FUNDS**

##### Sources of Funds

Bond Par Amount .....	\$ 122,100,000.00
Original Issue Premium .....	6,157,067.95
 Total Sources .....	 <u>\$ 128,257,067.95</u>

##### Uses of Funds

Deposit with Commercial Paper Paying Agent .....	\$ 127,447,111.79
Cost of Issuance .....	192,909.50
Purchaser's Discount (includes municipal bond insurance premium).....	614,224.05
Additional Proceeds.....	2,822.61
 Total Uses .....	 <u>\$128,257,067.95</u>

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**  
**COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE**

Fiscal Year Ending June 30	Outstanding Debt			The Bonds			Outstanding Debt After This Issue			% Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2004	78,380,000	55,736,826	134,116,826		1,859,631	1,859,631	78,380,000	57,596,457	135,976,457	6.34%
2005	80,260,000	52,010,874	132,270,874	4,605,000	5,625,775	10,230,775	84,865,000	57,636,649	142,501,649	13.20%
2006	82,820,000	48,102,731	130,922,731	4,675,000	5,533,675	10,208,675	87,495,000	53,636,406	141,131,406	20.27%
2007	69,465,000	43,479,387	112,944,387	4,765,000	5,346,675	10,111,675	74,230,000	48,826,062	123,056,062	26.27%
2008	67,335,000	39,958,887	107,293,887	4,875,000	5,156,075	10,031,075	72,210,000	45,114,962	117,324,962	32.11%
2009	56,995,000	36,691,416	93,686,416	5,005,000	4,912,325	9,917,325	62,000,000	41,603,741	103,603,741	37.12%
2010	56,055,000	33,805,008	89,860,008	5,160,000	4,662,075	9,822,075	61,215,000	38,467,083	99,682,083	42.07%
2011	55,695,000	30,929,367	86,624,367	5,270,000	4,404,075	9,674,075	60,965,000	35,333,442	96,298,442	46.99%
2012	49,710,000	28,384,135	78,094,135	4,810,000	4,140,575	8,950,575	54,520,000	32,524,710	87,044,710	51.40%
2013	48,865,000	25,942,023	74,807,023	5,050,000	3,900,075	8,950,075	53,915,000	29,842,098	83,757,098	55.76%
2014	48,120,000	23,509,092	71,629,092	5,305,000	3,647,575	8,952,575	53,425,000	27,156,667	80,581,667	60.08%
2015	48,680,000	21,013,713	69,693,713	6,225,000	3,382,325	9,607,325	54,905,000	24,396,038	79,301,038	64.52%
2016	55,540,000	18,298,442	73,838,442	5,880,000	3,071,075	8,951,075	61,420,000	21,369,517	82,789,517	69.48%
2017	51,180,000	15,496,799	66,676,799	6,080,000	2,777,075	8,857,075	57,260,000	18,273,874	75,533,874	74.11%
2018	32,815,000	13,290,863	46,105,863	6,425,000	2,533,875	8,958,875	39,240,000	15,824,738	55,064,738	77.28%
2019	31,010,000	11,627,832	42,637,832	7,405,000	2,268,844	9,673,844	38,415,000	13,896,676	52,311,676	80.39%
2020	25,695,000	10,161,000	35,856,000	7,750,000	1,898,594	9,648,594	33,445,000	12,059,594	45,504,594	83.09%
2021	24,930,000	8,855,431	33,785,431	7,365,000	1,511,094	8,876,094	32,295,000	10,366,525	42,661,525	85.70%
2022	25,515,000	7,554,540	33,069,540	8,515,000	1,188,875	9,703,875	34,030,000	8,743,415	42,773,415	88.45%
2023	26,865,000	6,211,466	33,076,466	8,935,000	784,413	9,719,413	35,800,000	6,995,879	42,795,879	91.35%
2024	28,275,000	4,805,566	33,080,566	8,000,000	360,000	8,360,000	36,275,000	5,165,566	41,440,566	94.28%
2025	29,760,000	3,330,456	33,090,456				29,760,000	3,330,456	33,090,456	96.68%
2026	13,090,000	1,960,600	15,050,600				13,090,000	1,960,600	15,050,600	97.74%
2027	8,500,000	1,235,941	9,735,941				8,500,000	1,235,941	9,735,941	98.43%
2028	8,935,000	783,248	9,718,248				8,935,000	783,248	9,718,248	99.15%
2029	5,115,000	416,980	5,531,980				5,115,000	416,980	5,531,980	99.56%
2030	5,385,000	141,355	5,526,355				5,385,000	141,355	5,526,355	100.00%
	<u>1,114,990,000</u>	<u>543,733,978</u>	<u>1,658,723,978</u>	<u>122,100,000</u>	<u>68,964,700</u>	<u>191,064,700</u>	<u>1,237,090,000</u>	<u>612,698,678</u>	<u>1,849,788,678</u>	

## **ADDITIONAL BORROWING PLANS**

The Metropolitan Government expects to issue additional general obligation bonds for certain capital projects and for refunding purposes in the future. Currently, the Metropolitan Council has authorized a total of \$621,575,000 in unissued bonds related to capital budgets for Fiscal Years 2000 through 2003. The Metropolitan Government currently anticipates the sale of up to approximately \$125,000,000 of general obligation bonds in Fiscal Year 2004 to fund these and other approved projects.

## **LEGISLATION AFFECTING STATE-SHARED TAXES**

The Tennessee General Assembly adopted a State budget for Tennessee for fiscal year beginning July 1, 2003, which includes a reduction of certain State-Shared Taxes remitted to local governments. "State-Shared Taxes" are taxes collected by the State pursuant to State law and allocated by law to local governments for general use or, in some cases, for a particular purpose. The budget as adopted includes a nine percent (9%) reduction to alcohol related taxes and to the bank excise tax, and a thirty-three percent (33%) reduction (as adjusted for certain cities for fiscal year 2003-2004) to the "Hall income tax" (a tax on certain unearned income such as dividends). In addition, cuts were made to some programs and services provided to cities and counties by the State.

The impact to Metro is estimated at approximately \$9.8 million in revenue reductions. Metro is fully aware of the reduction of State-Shared Taxes and has considered the implications of such a decision in the development of its long-range capital plan.

## **LITIGATION AND OTHER PROCEEDINGS**

At the time of delivery of and payment for the Bonds, the Metropolitan Government will deliver, or cause to be delivered, a certificate of the Metropolitan Government stating that there is no controversy or litigation of any nature then pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Metropolitan Government taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds or the corporate existence, boundaries or powers of the Metropolitan Government.

## **CONTINUING DISCLOSURE**

Pursuant to the Bond Resolution, the Metropolitan Government has covenanted for the benefit of the holders and beneficial owners of the Bonds to distribute certain financial information and operating data relating to the Metropolitan Government by not later than nine months following the end of the Metropolitan Government's fiscal year, commencing with the fiscal year ending June 30, 2003 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if deemed by the Metropolitan Government to be material under applicable federal securities laws. A copy of the Continuing Disclosure undertaking is attached hereto as Appendix D.

The Metropolitan Government has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in SEC Rule 15c2-12(b)(5).

## **TAX MATTERS**

### **Federal Taxes**

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, 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; however, 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. Bond Counsel's opinion is subject to the condition that the Metropolitan Government comply with all requirements of the Code 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 Metropolitan Government 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.

Prospective purchasers of the Bonds 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. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

The initial public offering prices of the Bonds maturing April 1, 2017, 2018, 2021, and 2024 (the "Discount Bonds") are less than the amounts payable at maturity. In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each Discount Bond, to the extent properly allocable to each owner of such Discount Bond, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over its initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds of such maturity were sold.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's alternative minimum tax liability. Consequently, corporate owners of the Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owners of such Discount Bonds have not received cash attributable to such original issue discount in such year.

The initial public offering prices of the maturing April 1, 2005 through 2016 (inclusive), 2019, 2020, 2022, and 2023 (the "Premium Bonds") are greater than the amounts payable at maturity with respect to such Premium Bonds. An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the Premium Bond's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Owners of Discount Bonds and Premium Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds or Premium Bonds, other tax consequences of owning Discount Bonds and Premium Bonds, and with respect to the State of Tennessee and local tax consequences of holding such Discount Bonds and Premium Bonds.

## **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.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose approving opinion in substantially the form attached hereto as Appendix B will be delivered with the Bonds. Certain legal matters with respect to the Metropolitan Government will be passed upon by Karl Dean, Director of Law.

## **UNDERWRITING**

The Bonds were sold at public sale to Morgan Keegan & Company, Inc. at a price of \$127,642,843.90, which is equal to the par amount of the Bonds plus original issuance premium of \$6,157,067.95 and less underwriting discount of \$614,224.05 (including bond insurance premium).

## **FINANCIAL ADVISOR**

This Official Statement has been prepared under the direction of the Metropolitan Government and with the assistance of Public Financial Management, Inc., Memphis, Tennessee (“PFM”), employed by the Metropolitan Government to perform professional services in the capacity of financial advisor. In their role as financial advisor, PFM has provided advice on the plan of financing and structure of the issue, reviewed and commented on certain legal documents, drafted certain portions of the Official Statement based upon information provided by the Metropolitan Government and reviewed the pricing of the Bonds by the Purchaser thereof. The information set forth herein has been obtained from the Metropolitan Government and other sources, which are believed to be reliable. PFM has not verified the factual information contained in the Official Statement but relied on the information supplied by the Metropolitan Government and the Metropolitan Government’s certificate as to the Official Statement.

## **INDEPENDENT AUDITORS**

The general purpose financial statements of the Metropolitan Government as of the fiscal year ended June 30, 2002 included in Appendix A to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing in Appendix A.

## **RATINGS**

FitchRatings, Moody's Investors Service, Inc., and Standard & Poor's Ratings Services have assigned the ratings of AA+, Aa2 and AA, respectively, to the Bonds maturing 2005 through and including 2021 and in 2024. The Bonds maturing in 2022 and 2023 (the “Insured Bonds”) have been assigned ratings of AAA, Aaa, and AAA by Fitch Ratings, Moody’s Investor Service, Inc., and Standard & Poor’s Rating Services, respectively, with the understanding that upon delivery of the Insured Bonds, the Policy will be issued by Financial Guaranty Insurance Company. Such ratings reflect only the view of such organizations and an explanation of the significance of such ratings may be obtained only from the respective rating agency. There is no assurance that such ratings will be maintained for any given period of time or that they will not be revised downward or be withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## **MISCELLANEOUS**

The references, excerpts and summaries of all documents referred to in this Official Statement and in the Appendices to this Official Statement do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the holders thereof.

The information contained in this Official Statement has been compiled from sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement, which may have been made verbally or in writing, is to be construed as a contract with the holders of the Bonds.

The Metropolitan Council has duly authorized the execution and delivery of this Official Statement on behalf of the Metropolitan Government by its Mayor and its Director of Finance.

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

/s/ Bill Purcell  
Metropolitan Mayor

/s/ David L. Manning  
Director of Finance

**PART II**

**YEARLY INFORMATION STATEMENT**

## YEARLY INFORMATION STATEMENT

The Yearly Information Statement of Metro, including selected statistical and economic data (unaudited), for the fiscal year ended June 30, 2002 has been posted on Metro's website at [www.nashville.gov/finance/investor\\_relations.htm](http://www.nashville.gov/finance/investor_relations.htm) and is included as Part II of this Official Statement. A printed version is also available upon request to the Department of Finance, Office of the Treasurer, 222 Third Avenue North - Suite 110; Nashville, TN 37201; Celia Y. Kirby, Treasurer, (615) 862-6210.

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**

- **Organization**

- **Fiscal Year**

- **Budgeting Procedures**

- Operating Budget

- Capital Improvements Budget

- Capital Projects Planning

- **Accounting**

- **Revenues**

- **PROPERTY TAXES**

- **Rates of Tax Levy**

- Analysis of the Composition of Rates of Tax Levy

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

- **Tax Collection**

- Analysis of Tax Levies and Collection – Unaudited Ten Year Summary

- Schedule of Delinquent Property Taxes Receivable – by Type

- **Principal Taxpayers**

- Principal Taxpayers – Unaudited

- **FIVE YEAR SUMMARIES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

- General Fund

- Special Revenue Funds

- Debt Service Funds

- **COMPUTATION OF NET GENERAL OBLIGATION DEBT**

- **DEBT RATIOS**

- **CALCULATION OF SELF-SUPPORTING DEBT**

- **Historical Debt Ratios**

- Historical Debt Ratios – Ten Year Summary

- Total Debt Service Secured by ad Valorem Taxes

- **INVESTMENT POLICY**

*(Yearly Information Statement contents continued)*

- **MASS TRANSIT EXPENDITURES**
- **DISTRICT ENERGY SYSTEM OVERVIEW**
- **THE SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT**
- **PENSION PLANS**
  - City County Plans (as of June 30, 2002)
  - Board of Education Plans (as of June 30, 2002)
- **PUBLIC EMPLOYEES' REPRESENTATION**
- **ECONOMIC AND DEMOGRAPHIC PROFILE OF NASHVILLE AND DAVIDSON COUNTY**

**Introduction**

**Population Growth**

Comparative Population Growth

**Per Capita Personal Income**

Comparative per Capita Personal Income

**Economy of the Metropolitan Area**

**Employment**

Employment by Industry

Miscellaneous Statistics – Twenty-five Largest Employers

**Unemployment Rates**

Comparative Rates of Unemployment

**Investment and Job Creation**

**Education**

The Metropolitan Board of Public Education – 2003-2004

School System – Public Education Facilities – 2002-2003

School System – Public Schools Enrollment and Attendance

**Manufacturing**

**Trade**

**Agriculture**

**Transportation**

**Construction**

Construction and Building Permit Activity – Unaudited Ten Year Summary

**Tourism**

Hotel / Motel Rooms and Percentage of Occupancy

**Medical and Cultural Facilities**

- **MISCELLANEOUS**

**APPENDIX A**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE**  
**YEAR ENDED**  
**JUNE 30, 2002**

## GENERAL PURPOSE FINANCIAL STATEMENTS

Audited Financial Statements of the Metropolitan Government of Nashville and Davidson County, Tennessee (“Metro”) and supplementary information as of and for the fiscal year ending June 30, 2002 together with the independent auditors’ report thereon 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 Metro’s Department of Finance at [http://www.nashville.gov/finance/financial\\_reports.htm](http://www.nashville.gov/finance/financial_reports.htm), and (3) are included as part of this Appendix A. To the extent there are any differences between the electronically posted financial statements of Metro and the printed financial statements of Metro, 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, 2002

- Independent Auditor’s Report, dated October 31, 2002
- 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, Encumbrances and Changes in Fund Balances – Budget and Actual, Budgetary Basis (Non-GAAP), 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

**APPENDIX B**  
**FORM OF OPINION OF**  
**BOND COUNSEL**

**[FORM OF OPINION OF BOND COUNSEL]**

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

[to be dated closing date]

We have acted as bond counsel in connection with the issuance by The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Issuer") of \$122,100,000 General Obligation Multi-Purpose Bonds, Series 2003, dated December 2, 2003 (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, Resolution No. 2003-37, adopted by the Metropolitan County Council on October 21, 2003 (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 of the Metropolitan County Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a 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. The principal of, premium, if any, and interest on the Bonds are payable from the debt service fund of the General Services District of the Metropolitan Government for debt service attributable to projects in the General Services District, from the debt service fund of the Urban Services District of the Metropolitan Government for debt service attributable to projects in the Urban Services District, and from the school debt service fund for debt service attributable to school projects; provided, however, that the Metropolitan Government is unconditionally and irrevocably obligated to levy and collect ad valorem taxes without limit as to rate or amount on all taxable property in the General Services District to the full extent necessary to pay all principal, premium and interest on the Bonds, and the full faith and credit of Metropolitan Government is pledged to the payment thereof.
4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) 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.

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,

BASS, BERRY & SIMS PLC

**APPENDIX C**

**INFORMATION RELATED TO DEPOSITORY TRUST COMPANY**

## INFORMATION RELATED TO DEPOSITORY TRUST COMPANY

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully registered securities 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 Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.
2. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.
5. 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 Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, defaults, and proposed amendments to the security documents. Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the

alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all the securities shall be called for redemption, the maturities to be redeemed shall be selected by the Metropolitan Council in its discretion. If less than all of the Securities within a maturity of an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.
7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities. Under its usual procedures, DTC mails 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities 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 detail information from the Metropolitan Government or Paying Agent on 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, Paying Agent, or the Metropolitan Government, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends 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 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.
9. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Metropolitan Government or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.
10. 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, Security certificates will be printed and delivered.
11. 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 thereof.

**APPENDIX D**

**CONTINUING DISCLOSURE UNDERTAKING**

## CONTINUING DISCLOSURE

The Metropolitan Government will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Metropolitan Government by not later than nine months after the end of the fiscal year commencing with the fiscal year ending June 30, 2003 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by the Metropolitan Government to be material under applicable federal securities laws. The Annual Report (and audited financial statements if filed separately) will be filed by the Metropolitan Government with each Nationally Recognized Municipal Securities Information Repository (the "Repositories") and any State Information Depository which may be established in Tennessee (the "SID"). If the Metropolitan Government is unable to provide the Annual Report to the Repositories and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the Repositories and the SID, if any, on or before such date. The notices of material events will be filed by the Metropolitan Government either with the Repositories or with the Municipal Securities Rulemaking Board and any SID. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below. These covenants have been made in order to assist the Purchaser in complying with SEC Rule 15c2-12(b) (the "Rule"). The Metropolitan Government has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide Annual Reports or notices of Material Events.

*Content of Annual Reports.* The Metropolitan Government's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the Metropolitan Government for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Metropolitan Government's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall contain the following information:

1. "PRIORITY CAPITAL PROJECTS PLANNING"
2. "SUPPLEMENTAL AND ESTIMATED CURRENT VALUE OF ALL TAXABLE PROPERTY"
3. GENERAL FUND – FIVE YEAR SUMMARY
4. SPECIAL REVENUE FUNDS – FIVE YEAR SUMMARY
5. DEBT SERVICE – FIVE YEAR SUMMARY
6. COMPUTATION OF NET GENERAL OBLIGATION DEBT
7. DEBT RATIOS
8. CALCULATION OF SELF-SUPPORTING DEBT
9. HISTORICAL DEBT RATIOS
10. NASHVILLE THERMAL TRANSFER CORPORATION
11. SPORTS AUTHORITY FINANCIAL INFORMATION
12. SUMMARY OF THE UNFUNDED PENSION BENEFIT OBLIGATION OF THE CITY AND COUNTY PLANS AND THE BOARD OF EDUCATION PLANS
13. SCHEDULE OF HISTORIC AND PROJECTED NON-TAX REVENUES
14. ANNUAL INFORMATION FROM NASHVILLE THERMAL TRANSFER CORPORATION

Any or all of the items above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the Metropolitan Government or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final OFFICIAL STATEMENT, in final form, it will be available from the Municipal Securities

Rulemaking Board. The Metropolitan Government shall clearly identify each such other document so incorporated by reference.

*Reporting of Significant Events.* The Metropolitan Government will file notice regarding material events either with the Repositories or with the Municipal Securities Rulemaking Board and SID, if any, as follows:

1. Whenever the Metropolitan Government obtains knowledge of the occurrence of a Listed Event (as defined in (3) below), the Metropolitan Government shall as soon as possible determine if such event would be material under applicable Federal securities laws.
2. If the Metropolitan Government determines that knowledge of the occurrence of a Listed Event would be material (under applicable Federal securities laws), the Metropolitan Government shall promptly file a notice of such occurrence either with the Repositories or with the Municipal Securities Rulemaking Board and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.
3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
  - g. Modifications to rights of security Bondholders;
  - h. Bond calls;
  - i. Defeasances;
  - j. Release, substitution, or sale of property securing repayment of the Bonds; and
  - k. Rating changes.

*Termination of Reporting Obligation.* The Metropolitan Government's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

*Amendment; Waiver.* Notwithstanding any other provision of the Disclosure Certificate, the Metropolitan Government may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Metropolitan Government shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Metropolitan Government. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Default.* In the event of a failure of the Metropolitan Government to comply with any provision of the Disclosure Certificate, any Bondholder or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Metropolitan Government to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the Metropolitan Government to comply with the Disclosure Certificate shall be an action to compel performance.

**APPENDIX E**

**FORM OF INSURANCE POLICY**

**(INSURING BONDS MATURING APRIL 1, 2022 AND 2023)**



Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
(212) 312-3000  
(800) 352-0001

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## Municipal Bond New Issue Insurance Policy

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

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

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

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

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

Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
(212) 312-3000  
(800) 352-0001



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## Municipal Bond New Issue Insurance Policy

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

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

A handwritten signature in cursive script that reads "Deborah M. Reif".

**President**

**Effective Date:**

**Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in cursive script, appearing to be initials followed by a long horizontal stroke.

**Authorized Officer**

Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
(212) 312-3000  
(800) 352-0001



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**Endorsement**  
To Financial Guaranty Insurance Company  
Insurance Policy

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**Policy Number:** \_\_\_\_\_ **Control Number:** 0010001

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

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

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

A handwritten signature in black ink, appearing to read "Deborah M. Reif".

**President**

**Effective Date:**

**Authorized Representative**

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

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

**Authorized Officer**

**U.S. Bank Trust National Association, as Fiscal Agent**