MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

Minutes of a Special Meeting of the Board of Directors

December 22, 1977

A Special Meeting of the Board of Directors of the Municipal Assistance Corporation For The City of New York was held at 10:30 a.m. on Thursday, December 22, 1977, at the offices of Paul, Weiss, Rifkind, Wharton and Garrison, General Counsel to the Corporation, 345 Park Avenue, New York City.

The following Directors were present:

Felix G. Rohatyn, Chairman
George M. Brooker
Thomas D. Flynn
George D. Gould
Dick Netzer

constituting a quorum of the Board.

The following Representatives to the Board of Directors were present:

Edward M. Kresky
Leonard Nadel

The following members of the Staff were present:

Eugene Keilin
Stephen Weinstein
Marilyn Friedman
Paul Giddings

Andrew Decker
William Lithgow
Linda Seale
Linda Dinkin

Also present by invitation of the Board were: Allen L. Thomas and Stephen Fox of Paul, Weiss, Rifkind, Wharton and Garrison, General Counsel to the Corporation; Donald J. Robinson, John Keshane, Lynn Villias and Mark Sher of Hawkins, Delafield and Wood, Bond Counsel to the Corporation; James R. Brigham of The City of New York; Paul Angeli of the Federal Reserve Bank of New York; Michael Gibbons,
Irving Cohen and Abe Greenstein of the Office of the Special Deputy Comptroller For The City of New York.

Executive Session

The Board convened an executive session to discuss certain proposed financing.

Proposed Financing

Mr. Keilin noted that a proposed Series Resolution and a proposed Bond Purchase Agreement regarding the 1978 Series JJ Bonds were before the Board for its consideration, along with a Preliminary Official Statement which had previously been distributed to the Board.

Mr. Robinson reviewed the provisions of the proposed 1978 Series JJ Resolution.

Mr. Keilin reviewed the sections of the proposed Official Statement dealing with the State of New York and The City of New York.

At this point, all persons other than the Corporation's Board, Staff and outside counsel were excused from the meeting. Mr. Keilin and Mr. Rohatyn led a discussion concerning the proposed opinion of the State Attorney General in connection with this proposed sale. After that discussion, the other guests rejoined the meeting.

Mr. Brigham reported that the Office of the Deputy Mayor for Finance had reviewed the proposed Official Statement and had found it acceptable.
Mr. Cohen reported that the proposed Official Statement had been cleared by the Office of the Special Deputy Comptroller, subject to several comments being incorporated into the final document.

At this point, the following representatives of the underwriters were admitted to the meeting: Dale Horowitz and Gene Crowley of Salomon Brothers; David Blair of White and Case, Counsel to the underwriters; Eric Keber of Morgan Guaranty Trust Co.; Stephen J. Kenny of Merrill, Lynch, Pierce, Fenner & Smith; and Duncan Grey of Kidder, Peabody and Co.

Mr. Horowitz presented the underwriters' offer to the Board, as detailed in the proposed Bond Purchase Agreement.

Public Session

The Board ended its executive session at this point, and reconvened in public session. Mr. Thomas reviewed the proposed Official Statement, and the contents of the proposed Bond Purchase Agreement.

Following discussion, the following resolutions were, upon motions duly made and seconded, unanimously adopted:

RESOLVED, that the 1978 Series JJ Resolution, substantially in the form as presented to the meeting, with such non-substantive changes as General Counsel and Bond Counsel may in their discretion decide are required, be, and hereby is, adopted; and
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FURTHER RESOLVED, that the Bond Purchase Agreement be, and hereby is, adopted substantially in the form and substance presented at the meeting, and that the Chairman be, and hereby is, authorized to execute said Agreement, with such non-substantive changes as the Chairman, in consultation with General Counsel and Bond Counsel, may decide are required; and

FURTHER RESOLVED, that the Official Statement for the offer and sale of the 1978 Series JJ Bonds be, and hereby is, approved and distribution of the Official Statement be, and hereby is, authorized; and

FURTHER RESOLVED, that the issuance of the 1978 Series JJ Bonds pursuant to the First General Bond Resolution and the 1978 Series JJ Resolution, and the delivery thereof in accordance with the Bond Purchase Agreement dated December 22, 1977, be, and hereby are, authorized.

Administration

Mr. Keilin proposed that the Board delegate to its Personnel Committee in conjunction with the Executive Director the authority to adopt a new schedule of salaries for the Corporation's staff, with the exception of the Executive Director, which salaries would be effective January 1, 1978. After a discussion, it was, upon motion duly made and seconded, unanimously:

RESOLVED, that the Personnel Committee of the Board, in consultation with the Executive Director, shall establish a new schedule of salaries for the staff of the Corporation, with the exception of the Executive Director, which salaries shall be effective January 1, 1978.

Mr. Keilin reviewed certain administrative matters, and suggested that the Board create a committee to review these and other administrative matters, and make recommendations to the Board.
After discussion, it was, upon motion duly made and seconded, unanimously:

RESOLVED, that an Administration Committee be established, consisting of three members, to study such administrative matters of the Corporation as from time to time may be referred to it for consideration by the Board of Directors or the Executive Director, and to make recommendations to the Board with regard thereto.

FURTHER RESOLVED, that the following persons be, and hereby are, appointed to serve as members of the Administration Committee of the Board: Dick Netzer, Richard Ravitch and Edward M. Kresky.

Mr. Weinstein reviewed the staff's search and negotiations for a new, permanent location for the Corporation's principal office, and presented to the Board for its consideration a proposed lease for certain space at 1270 Avenue of the Americas. After a discussion, the Chairman requested that this matter be reviewed by Messrs. Brooker, Ravitch and Kresky.

Federal Assistance

Mr. Rohatyn reviewed the events of the past weeks with respect to future Federal financial assistance for the City, including the recent Senate and House hearings, and asked the Board to consider the position of the Corporation with respect to such matters.
Adjournment

There being no further business before the meeting, it was, on motion duly made, seconded and carried, adjourned at 11:45 a.m.

[Signature]

Stephen J. Weinstein
Secretary
NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series JJ Bonds is exempt from Federal income taxes, and shall at all times be free from New York State and New York City personal income taxes.

$248,300,000*

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
(A Corporate Governmental Agency and Instrumentality of the State of New York)

1978 SERIES JJ BONDS
(Issued pursuant to the First General Bond Resolution)

Dated January 1, 1978

Due February 1, as shown below

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<th>Due</th>
<th>Amount</th>
<th>Rate</th>
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<tr>
<td>1982</td>
<td>$13,250,000</td>
<td>%</td>
<td>%</td>
<td>1984</td>
<td>$40,280,000</td>
<td>%</td>
<td>%</td>
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<tr>
<td>1983</td>
<td>52,745,000</td>
<td>%</td>
<td></td>
<td>1985</td>
<td>82,025,000</td>
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$60,000,000 % Term Bonds due February 1, 1995 @ %

(Accrued interest to be added)

The 1978 Series JJ Bonds are payable out of certain revenues of the Corporation, including revenues derived from certain sales and compensating use taxes imposed by the State of New York within the City of New York and, under certain conditions, the State stock transfer tax. The State is not bound or obligated to continue the imposition of such taxes or to make the necessary appropriations of the revenues derived from such taxes. The Corporation has no taxing power. The 1978 Series JJ Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City shall be liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of principal or interest on the 1978 Series JJ Bonds.

The 1978 Series JJ Bonds are offered when, as and if issued by the Corporation and received by the underwriters and subject to approval of legality by Hawkins, Delafield & Wood, New York, New York. Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. It is expected that the 1978 Series JJ Bonds in definitive form will be available for delivery on or about January 10, 1978.

Salomon Brothers
The Chase Manhattan Bank, N.A.

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Citibank, N.A.

Morgan Guaranty Trust Company
of New York

Kidder, Peabody & Co.
Incorporated

Bankers Trust Company

Bache Halsey Stuart Shields
Incorporated

Bank of America NT&SA

The First Boston Corporation

Bear, Stearns & Co.

Chemical Bank

Smith Barney, Harris Upham & Co.
Incorporated

Goldman, Sachs & Co.

Manufacturers Hanover Trust Company

* Approximate, subject to change.

The date of this Official Statement is December , 1977.
No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. 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 1978 Series JJ Bonds or any other securities of the Municipal Assistance Corporation For The City of New York by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by such Corporation and by other sources which are believed to be reliable by such Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Underwriters. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of such Corporation or of the State of New York or of The City of New York since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE 1978 SERIES JJ BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT
OF
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
(A Corporate Governmental Agency and Instrumentality of the State of New York)

Relating to
$248,300,000 1978 Series JJ Bonds

PART 1—INTRODUCTION

The purpose of this Official Statement of the Municipal Assistance Corporation For The City of New York (the “Corporation”) is to set forth information in connection with the issuance of the Corporation's 1978 Series JJ Bonds (the “1978 Series JJ Bonds”) to refund the outstanding 1975 Series B Bonds of the Corporation (the “1975 Series B Bonds”). For further information with respect to the purpose of this issuance, see “PART 2—REFUNDING AND OUTSTANDING DEBT—Purpose of Issue and Plan of Refunding.”

The Corporation and the Bonds

The Corporation is a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation. The Corporation was created in June 1975, pursuant to the New York Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, each as further amended (the “Act”), for the purpose of assisting The City of New York (the “City”) in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. To carry out such purpose, the Corporation is empowered, among other things, to issue and sell bonds and notes, to pay or lend funds received from such sales to the City, to exchange the Corporation’s obligations for short-term obligations of the City and to issue bonds to refund outstanding bonds, each under conditions specified in the Act. Also pursuant to the Act, the Corporation is empowered to perform certain oversight functions with respect to the City’s financial activities. For descriptions of the management of the Corporation and of certain of its powers, see “PART 8—MANAGEMENT” and “PART 9—VARIOUS CONTROL PROGRAMS.”

The 1978 Series JJ Bonds will be issued pursuant to the Act, the Corporation’s first general bond resolution dated July 2, 1975, as amended and supplemented (the “First General Bond Resolution”), and the series resolution of the Corporation authorizing the 1978 Series JJ Bonds. The First General Bond Resolution and such series resolution (the “1978 Series JJ Resolution”) are herein collectively called the “Resolution.” For a description of the First General Bond Resolution, see “PART 11—SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GENERAL BOND RESOLUTION.” All bonds which are or may be issued under the First General Bond Resolution are herein collectively referred to as the “First Resolution Bonds.”

The 1978 Series JJ Bonds are due on the dates shown on the cover page of this Official Statement. The 1978 Series JJ Bonds due February 1, 1995, are subject to redemption at the option of the Corporation on and after February 1, 1988, as a whole on any date, or in part by lot on any interest payment date or dates, and are subject to redemption by lot through operation of a sinking fund on and after February 1, 1989. For a more detailed description of the 1978 Series JJ Bonds, see the cover page of this Official Statement and “PART 5—BONDS BEING OFFERED.”

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $5.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes), which amount was increased by the State Legislature in 1977 from $5.25 billion. (The Corporation has proposed that State legislation be enacted to increase such authorization by approximately $3 billion. For further information with respect to programs for which the Corporation might seek such increased authoriza-
tion, see "PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY—Expiration of Plan." ) After the issuance of the 1978 Series JJ Bonds and the refunding of the 1975 Series B Bonds, the Corporation will have issued an aggregate of $5.67 billion of bonds and notes (which excludes the 1978 Series JJ Bonds and other refunding bonds, but includes bonds and notes previously paid or repurchased).

After such issuance and refunding, the Corporation will have outstanding $3.186 billion aggregate principal amount of First Resolution Bonds and $2.008 billion aggregate principal amount of bonds issued under its second general bond resolution dated November 25, 1975, as supplemented (the "Second General Bond Resolution"). All bonds which are or may be issued under the Second General Bond Resolution are herein collectively referred to as the "Second Resolution Bonds." As used in this Official Statement the term "outstanding" shall have the meaning set forth in the First and Second General Bond Resolutions. (After the refunding, the 1975 Series B Bonds will no longer be deemed outstanding.) The First Resolution Bonds are payable from and have a prior claim on revenues derived from certain sales and compensating use taxes imposed by the State within the City and, if needed, the State stock transfer tax, but have no claim on any per capita State aid received by the Corporation, which is pledged to and is the principal source of the payment of Second Resolution Bonds. See "PART 3—PROVISIONS FOR PAYMENT OF THE BONDS" for a more detailed description of the revenues available for payment of the 1978 Series JJ Bonds.

Payment of the First Resolution Bonds

The First Resolution Bonds, including the 1978 Series JJ Bonds, are general obligations of the Corporation, payable from any available revenues of the Corporation not otherwise pledged, as well as from any revenues of the Corporation pledged to the payment of the First Resolution Bonds.

As described herein, the Corporation's revenues pledged to the payment of the First Resolution Bonds are derived principally from the Sales Tax and secondarily from the Stock Transfer Tax. The "Sales Tax" consists of collections of the State sales and compensating use taxes imposed, formerly by the City and now by the State, within the City. The "Stock Transfer Tax" consists of collections of the State stock transfer tax. Under the State Finance Law (the "Finance Law"), the Sales Tax and the Stock Transfer Tax are not available to the City or any person other than the Corporation until the requirements of the Corporation, including debt service on the 1978 Series JJ Bonds, have been met. See "PART 3—PROVISIONS FOR PAYMENT OF THE BONDS."

The methods by which the Corporation receives its revenues are established by State law. The Finance Law provides that collections of the Sales Tax, less such amount as the State Commissioner of Taxation and Finance determines to be necessary for reasonable costs in administering, collecting and distributing the Sales Tax, are deposited in a special account established for the benefit of the Corporation (the "Special Account") in the municipal assistance tax fund administered by the State Comptroller (the "Municipal Assistance Tax Fund"). Subject to annual appropriation by the State Legislature, moneys in the Special Account are to be paid to the Corporation at such times and in such amounts as its Chairman certifies are necessary to meet the debt service and capital reserve fund requirements established by the Act and by the First General Bond Resolution. All revenues in the Special Account not required by the Corporation are paid to the City on a periodic basis.

If the amount in the Special Account is insufficient to meet debt service and capital reserve fund requirements for the First Resolution Bonds, the Finance Law provides that collections of the Stock Transfer Tax, on deposit in the stock transfer tax fund established under such Law (the "Stock Transfer Tax Fund"), shall be transferred, subject to appropriation by the State Legislature, to the Special Account for payment to the Corporation in the same manner and subject to the same conditions as collections of the Sales Tax.

The State Legislature appropriated the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation for each of the State's fiscal years since 1976, including the State's 1978 fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years, see "PART 3—PROVISIONS FOR PAYMENT OF THE BONDS—Appropriation By Legislature." (The State's fiscal year ends March 31 in each year. The fiscal years of both the Corporation and the City end June 30 in each year.)
Amounts paid to the Corporation from the Special Account are deposited into the Corporation’s debt service fund and capital reserve fund established under the First General Bond Resolution (the “Debt Service Fund” and “Capital Reserve Fund,” respectively). The First Resolution Bonds are secured by a pledge of and a first lien on all moneys and securities in the Debt Service Fund and the Capital Reserve Fund. The amount required to be deposited in the Debt Service Fund for any fiscal year is the amount needed to pay principal (including sinking fund installments), interest and any redemption premium maturing or otherwise coming due on all outstanding First Resolution Bonds during such fiscal year. The amount required to be on deposit in the Capital Reserve Fund for any calendar year is a fixed percentage of principal (including sinking fund installments) and interest maturing or otherwise coming due on outstanding First Resolution Bonds during a specified calendar year.

For a more detailed description of the funds to be used to pay the principal of and interest on the First Resolution Bonds, including the 1978 Series JJ Bonds, see “PART 3—PROVISIONS FOR PAYMENT OF THE BONDS.”

Sales Tax and Stock Transfer Tax Coverage

Collections from the Sales Tax and the Stock Transfer Tax (excluding the 25% surcharge imposed under present law on the Stock Transfer Tax until July 31, 1978) for the twelve months ended September 30, 1977 amounted to approximately $864 million and $230 million, respectively, a total of approximately $1,094 billion. After deducting the amount estimated by the Corporation as necessary for its operating expenses for its 1978 fiscal year (i) such Sales Tax collections alone would have covered maximum total annual debt service payment requirements on outstanding First Resolution Bonds (after giving effect to the issuance of the 1978 Series JJ Bonds and refunding of the 1975 Series B Bonds) 2.27 times, and (ii) the total of such Sales Tax and Stock Transfer Tax would have covered such maximum total annual debt service payment requirements 2.88 times. There is no assurance that the Sales Tax and Stock Transfer Tax collections will, in the future, equal or exceed historical levels. For additional information concerning the computation of the foregoing, the collections of the Sales Tax and the Stock Transfer Tax and certain other information, see “PART 3—PROVISIONS FOR PAYMENT OF THE BONDS” and the information therein under the captions “Sales Tax” and “Stock Transfer Tax” and “PART 4—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.”

Additional Limitations on Bond Issuance

Under the 1978 Series JJ Resolution, and under certain other series resolutions, the Corporation has covenanted that it will not issue any additional obligations under the First General Bond Resolution if such issuance would cause maximum annual debt service on all outstanding obligations issued under the First General Bond Resolution to exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes, as defined in the First General Bond Resolution). For a description of these and other limitations, see “PART 5—BONDS BEING OFFERED—Additional Bonds.”

Certain Factors

The Corporation believes that the market or market prices for and the sources of payment of the 1978 Series JJ Bonds may be affected by certain factors described elsewhere in this Official Statement. Both the State and the City face serious potential long-term economic and demographic problems which may affect the levels of collections of the Sales Tax and the Stock Transfer Tax in the future. For a more detailed description of such problems and other factors, see “PART 6—CERTAIN DEVELOPMENTS AFFECTING THE STATE” and “PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY.”

PART 2—REFUNDING AND OUTSTANDING DEBT

Purpose of Issue and Plan of Refunding

The Corporation is issuing the 1978 Series JJ Bonds in order to provide for the refunding of the previously issued 1975 Series B Bonds. For the four fiscal years ending 1981, the refunding will have the effect of reducing the amounts required to be deposited in the Corporation’s Debt Service Fund and its Capital Reserve
Fund by an average of approximately $40 million a year. As a result, for such period, the amounts derived from the Sales Tax and the Stock Transfer Tax that may be available to the City will be increased by such amounts. For the years subsequent to 1981, the amounts required to be deposited in the Debt Service Fund and the Capital Reserve Fund will be greater than they would have been in the absence of the refunding. Aggregate debt service on the 1978 Series JJ Bonds will be greater than aggregate debt service currently remaining on the 1975 Series B Bonds.

An aggregate of $212.912 million of 1975 Series B Bonds are currently outstanding and scheduled to mature as follows: $66 million 10% bonds due on February 1, 1980; $65 million 10 1/2% bonds due on February 1, 1981; and $81.912 million 11% bonds due on February 1, 1983.

The net proceeds of approximately $243.583 million from the sale of the 1978 Series JJ Bonds will be used to purchase direct obligations of the United States of America, including United States Treasury Obligations—State and Local Government Series (the “Government Obligations”), the principal of and interest on which, when due, will provide monies sufficient to pay when due the principal, sinking fund installment and interest on the 1975 Series B Bonds. At the time of issuance of the 1978 Series JJ Bonds, the Corporation will deposit the Government Obligations in a special trust fund held by United States Trust Company of New York (the “Trustee”). At such time, the Corporation will give the Trustee irrevocable instructions to redeem at par on February 1, 1982 $66.35 million of the 1975 Series B Bonds due February 1, 1983 in order to satisfy the scheduled sinking fund installment on the 1975 Series B Bonds. This redemption will leave a balance of $15.562 million 1975 Series B Bonds to be paid from such special trust fund at maturity on February 1, 1983. The 1975 Series B Bonds maturing on February 1, 1980 and 1981 will be paid at maturity.

By deposit of the Government Obligations with the Trustee, in the special trust fund referred to above, the 1975 Series B Bonds will no longer be outstanding for the purposes of the First General Bond Resolution and, accordingly, the obligation to pay the 1975 Series B Bonds from the revenues, funds and assets, pledged under such Resolution, other than from the special trust fund fund, will be discharged and satisfied. For further information with respect to refunding, see “PART III—SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GENERAL BOND RESOLUTION—Refunding Bonds and Defeasance.”

**Outstanding Debt**

After the issuance of the 1978 Series JJ Bonds and the refunding of the 1975 Series B Bonds, the Corporation will have outstanding $3.186 billion in First Resolution Bonds. In addition, the Corporation has outstanding $2.008 billion in aggregate principal amount of Second Resolution Bonds.

The holders of First Resolution Bonds have a claim prior to that of the holders of Second Resolution Bonds on all amounts received by the Corporation from the State as payments from the Municipal Assistance Tax Fund (which includes the Corporation's revenues derived from the Sales Tax and the Stock Transfer Tax). The holders of obligations issued under the First General Bond Resolution have no claim, however, on any per capita State aid received by the Corporation which is the primary source for payment of the Second Resolution Bonds.

As at the date of this Official Statement, the Corporation had on deposit in the Debt Service Fund and the Capital Reserve Fund for the payment of principal of and interest on the First Resolution Bonds amounts which equal or exceed the amounts required by the Act and the First General Bond Resolution to be certified for and deposited in such Funds on such date. For additional information concerning the financial condition of the Corporation as at June 30, 1977 and as at September 30, 1977 and certain transactions occurring between September 30, 1977 and the date hereof, see the audited annual financial statements of the Corporation as at June 30, 1977 and the unaudited quarterly financial statements of the Corporation as at September 30, 1977, annexed hereto as Exhibit A and “PART 18—FINANCIAL STATEMENTS.”

**PART 3—PROVISIONS FOR PAYMENT OF THE BONDS**

**General**

The First Resolution Bonds are general obligations of the Corporation payable out of any available revenues of the Corporation not otherwise pledged as well as any revenues of the Corporation pledged to
the payment of First Resolution Bonds. The First Resolution Bonds are entitled to a first lien, created by
the pledge under the First General Bond Resolution, of all moneys and securities paid or deposited into the
Debt Service Fund and the Capital Reserve Fund held by the Trustee. Such moneys and securities include
each of the following: (i) amounts received by the Corporation from the State as payments from the Municipal
Assistance Tax Fund (see "Municipal Assistance Tax Fund" in this Part 3) for deposit in the Debt Service
Fund and the Capital Reserve Fund; (ii) all other amounts received by the Corporation from the State as
payments for deposit in the Capital Reserve Fund (pursuant to the certification annually, on or before
December 1 by the Chairman of the Corporation (the "Chairman") to the Governor of the State (the
"Governor") and the State Director of the Budget, of the sums necessary to restore the Capital Reserve
Fund to the required amount, see "Restoration of Capital Reserve Fund" in this Part 3); and (iii) any
income or interest earned as a result of investments of amounts so deposited in such Funds. The first
lien referred to above is that created by the provisions of the First General Bond Resolution requiring
the application of the amounts in the Debt Service Fund and the Capital Reserve Fund to the payment,
when due, of the principal or redemption price, if any, of and interest on the First Resolution Bonds, and
permitting the application of amounts in the Debt Service Fund to the payment, when due, of the principal
of and interest on Notes and interest on Other Obligations of the Corporation as provided in the First
General Bond Resolution. (Second Resolution Bonds do not constitute either "Notes" or "Other Obligations"
as such terms are used herein and in the First General Bond Resolution.) In connection with such
permitted application of funds in the Debt Service Fund, the Corporation may grant an equal lien on all
moneys and securities in the Debt Service Fund (other than moneys, if any, paid into the Debt Service Fund
from the Capital Reserve Fund) to secure payment of principal of and interest on Notes and interest on
Other Obligations. See "Part 11—Summary of Certain Provisions of the First General Bond
Resolution."

Payment of the amounts referred to in clause (i) above will be subject to the certification, not later
than February 12 in each year, or from time to time thereafter if revision is required, by the Chairman
to the State Comptroller and to the Mayor of the City (the "Mayor") of a schedule setting forth the cash
requirements of the Corporation and the time or times when such cash is required. The certification is required
to include the total amount required to be deposited in the Debt Service Fund to pay all interest on and all principal
of and redemption premium, if any, maturing or otherwise coming due during the fiscal year beginning
on the following July 1 on First Resolution Bonds and Notes and interest on Other Obligations becoming due
in such fiscal year and the total amount required to be deposited in the Capital Reserve Fund during such
fiscal year in order to maintain the Capital Reserve Fund at the required amount. The amount required
to be on deposit in the Capital Reserve Fund for a specified calendar year is a fixed percentage of the interest
and the principal (including sinking fund installments) maturing or otherwise coming due during
such calendar year on all outstanding First Resolution Bonds, including for such purpose any unpaid
amounts of such principal and interest owing in respect of prior calendar years. The fixed percentages
of such debt service requirements to be maintained in the Capital Reserve Fund for the calendar years 1977,
1978, 1979 and 1980 are 25%, 50%, 75% and 100% of the requirements for such years, respectively.
Beginning in 1981, the fixed percentage is 100% of the succeeding calendar year's debt service requirements.
As at the date of this Official Statement, the Corporation had on deposit in the Capital Reserve Fund $166
million, which amount exceeds 50% of the debt service coming due in calendar year 1978 on the currently out-
standing First Resolution Bonds. Pursuant to the Act, moneys in such Fund shall not be withdrawn therefrom at
any time in such amounts as would reduce the amount of such Fund to less than the amount of debt service
on the First Resolution Bonds becoming due in the succeeding calendar year, except for the purpose of
paying debt service on such First Resolution Bonds becoming due and for the payment of which other
moneys of the Corporation are not available.

Payments to the Corporation of the amounts referred to in clause (i) above are required to be made
by the State only if and to the extent that such amounts have been appropriated by the State Legislature or
that revenues have otherwise been made available therefor by the State. See "Municipal Assistance Tax
Fund" in this Part 3. The sources of moneys in the Special Account are the Sales Tax and, if required, the
Stock Transfer Tax Fund, the moneys in which are derived from the Stock Transfer Tax imposed by Article 12
of the Tax Law.
The Corporation, in accordance with the Act and pursuant to the express provisions of the First General Bond Resolution, has covenanted to cause its Chairman to certify (at the time or times required in each year) to the State Comptroller and to the Mayor schedules setting forth the cash requirements of the Corporation and the time or times when such cash is required, all as described above.

In addition to the moneys that become available to the Corporation from the Special Account and the Stock Transfer Tax Fund, or otherwise from the State, which are deposited in and subject to the aforesaid pledge of and lien upon the Debt Service Fund and Capital Reserve Fund, from time to time, the Corporation may but is not required to receive payments from the City of the principal of and interest on obligations of the City purchased by the Corporation or received by the Corporation in exchange for its bonds. Such payments may be used for the further purchase of obligations of the City or for other corporate purposes of the Corporation. It is the present policy of the Corporation, however, not to present for payment of principal or interest any obligations of the City held by the Corporation (other than certain bond anticipation notes of the City which the Corporation may present for the payment of interest only). The amount the Chairman is required to certify for debt service on the First Resolution Bonds may not be reduced by any amounts payable to the Corporation in respect of obligations of the City. Such obligations of the City held from time to time by the Corporation are not subject to the lien created by the pledge under the First or Second General Bond Resolutions.
The following chart illustrates the flow of money as described above:

1. Subject to appropriation by the State Legislature.
2. Available, if necessary.
3. After certification by the Corporation as to its requirements.
4. See "Restoration of Capital Reserve Fund."
5. Subject to appropriation by the State Legislature and after payment of all current debt service on obligations issued pursuant to the First General Bond Resolution.
6. Initially payable from per capita State aid.
7. After payment of all current amounts certified by the Corporation and, with respect to Stock Transfer Tax revenues, after payment of rebates of the Stock Transfer Tax, see "Stock Transfer Tax" in this PART 3.
Neither the Corporation nor the holders of the First Resolution Bonds have any lien on the moneys in the Special Account. Any provisions of the First General Bond Resolution and the First Resolution Bonds with respect to provision for payment by the State to the Corporation of the Sales Tax or the Stock Transfer Tax out of the Special Account or by transfer to the Municipal Assistance Tax Fund from the Stock Transfer Tax Fund are, in accordance with the Act, executory only to the extent of the moneys available to the State in such Funds from time to time, which moneys shall have been theretofore appropriated to the Corporation, and no liability on account thereof shall be incurred by the State beyond the moneys available in such Funds. By this provision, the State disclaims any liability to provide revenues to the Corporation except the Sales Tax and the Stock Transfer Tax theretofore received and appropriated to the Corporation.

The Corporation is a corporate governmental agency and instrumentality of the State and not of the City. The Corporation has no taxing power. The First Resolution Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City, and neither the State nor the City shall be liable thereon. Neither the faith and credit nor the taxing power of the State or the City is pledged to the payment of the principal of or the interest or any redemption premium on the First Resolution Bonds.

Appropriation By Legislature

The Finance Law provides that the State Legislature shall appropriate the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation; however, the State Legislature may not be bound in advance to make any appropriation. Under the State Constitution, an appropriation of State funds must be paid out within two years of the date of the appropriation act. The State Legislature has appropriated, for the benefit of the Corporation, the Sales Tax and the Stock Transfer Tax for the State’s fiscal year ending March 31, 1978. It is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years, see “PART 5—CERTAIN DEVELOPMENTS AFFECTING THE STATE.”

The Sales Tax is now imposed at the same rate and upon the same base as the previously imposed City sales tax and is the primary source of payment for First Resolution Bonds. Under the Finance Law, the Sales Tax is deposited in a special fund of the State (the Special Account in the Municipal Assistance Tax Fund) rather than in the State’s General Fund. The provisions of the Finance Law relating to the creation of the Municipal Assistance Tax Fund provide that in no event shall the State Comptroller pay over and distribute any moneys in the Special Account (other than the amount to be deducted for administering, collecting and distributing the Sales Tax) to any person other than the Corporation unless and until the aggregate of all cash requirements of the Corporation as certified to the State Comptroller has been appropriated and has been paid to the Corporation in full.

The Corporation believes that any failure by the State Legislature to make annual appropriations as expected would have a serious impact on the ability of the State and its agencies and public benefit corporations to raise funds in the public market.

Article 7, Section 16 of the State Constitution provides that if the State Legislature shall fail to make an appropriation for the payment of principal of and interest on State debt obligations, including sinking fund payments, as the same shall fall due, the State Comptroller “...shall set apart from the first revenues thereafter received, applicable to the general fund of the State, a sum sufficient to pay such interest, installments of principal, or contributions to such sinking fund, as the case may be, and shall so apply the moneys thus set apart.” Section 55 of the Finance Law provides that, under certain terms and conditions, the State Comptroller is to set aside all taxes and revenues that would otherwise be payable into the General Fund of the State (with certain itemized exceptions) in a note repayment account established pursuant to such section for the purpose of paying the principal of and interest on certain State tax and revenue anticipation notes.

In the opinion of Bond Counsel, under existing law, upon any failure of the State Legislature to make the required appropriations for State debt obligations as aforesaid or upon the establishment of a note repayment account as aforesaid, moneys on deposit in the Stock Transfer Tax Fund and the Municipal Assistance Tax Fund, including the Special Account therein (each such account or fund as presently constituted being a Special Fund of the State), would not constitute revenues applicable to the General Fund of the State and hence neither said Article 7, Section 16 nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of debts of the State or for deposit into such note repayment account. Further, under the existing law, collections of the Sales Tax and the Stock Transfer Tax
which are to be deposited into the Special Account and the Stock Transfer Tax Fund, do not constitute revenues applicable to the General Fund of the State and hence such collections would likewise not be authorized or mandated to be set apart, aside or applied by the State Comptroller either for the payment of debts of the State or for deposit into such note repayment account.

**Municipal Assistance Tax Fund**

The Municipal Assistance Tax Fund has been established by the Finance Law and is in the custody of the State Comptroller. Within the Municipal Assistance Tax Fund, the Special Account is established for the benefit of the Corporation. The Special Account receives the revenues from the Sales Tax, less such amounts as the State Commissioner of Taxation and Finance determines to be necessary for reasonable cost of administering, collecting and distributing the Sales Tax. The Finance Law provides for the appropriation of the Sales Tax by the State Legislature (although the State Legislature is not obligated or bound to make such appropriation) (i) to the Corporation in order to enable the Corporation to fulfill the terms of any agreements made with the holders of the Corporation’s obligations issued pursuant to the First General Bond Resolution, (ii) after payments of the amounts required by (i), to the Corporation to enable the Corporation to fulfill the terms of any agreements made with the holders of the Second Resolution Bonds and to carry out its corporate purposes, and (iii) to the City, to the extent of any balance. The Act provides that any provision therein or in any agreement by the Corporation with the holders of the Corporation’s obligations which relates to certain taxes, including the Sales Tax and the Stock Transfer Tax, or to certain funds, including the Municipal Assistance Tax Fund and the Special Account therein and the Stock Transfer Tax Fund, shall be deemed executory only to the extent of the moneys available to the State in such Funds from time to time, which moneys shall have been theretofore appropriated to the Corporation and no liability on account thereof shall be incurred by the State beyond the moneys in such Funds.

Pursuant to the Act and under the First General Bond Resolution, the Chairman is required, not later than February 12 in each year, and from time to time thereafter as may be necessary, to certify to the State Comptroller and the Mayor the amount of cash required by the Corporation in order for it to meet its obligations payable from the Debt Service Fund as they become due and to maintain the Capital Reserve Fund.

The Act provides that the State Comptroller shall make payments from the Special Account to the Corporation in the amounts and at the times certified by the Chairman to the State Comptroller and the Mayor. In the event that the amounts in the Special Account that have been appropriated to the Corporation shall at any time be less than the amount certified by the Chairman, the Finance Law provides for the transfer from the Stock Transfer Tax Fund to the Special Account of an amount equal to the deficiency. The Stock Transfer Tax Fund consists of the revenues derived from the Stock Transfer Tax. See “Stock Transfer Tax”, in this PART 3.

Pursuant to the Act and as provided in the First General Bond Resolution, the foregoing certification procedure provides for periodic payments to the Corporation for deposit in the Debt Service Fund and the Capital Reserve Fund from the Special Account prior to the release of any excess funds to the City. The debt service payments due on February 1 and August 1 in each fiscal year of the Corporation will be paid from moneys on deposit in the Debt Service Fund received from payments into the Debt Service Fund, which will aggregate the total debt service payments required to be made in such year. The Finance Law provides that the State Comptroller shall from time to time after the requirements of the Corporation have been satisfied, pay to the City all revenues in the Special Account in excess of the amount which the Chairman has certified to the State Comptroller. Pursuant to the Act, the State Comptroller may not disburse amounts from the Special Account to the City or any other entity so long as a certified amount required to be paid remains unpaid. For additional information concerning the certification procedure, see “PART 11—SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GENERAL BOND RESOLUTION—Maintenance of Certain Funds.”

The revenues received from the Sales Tax must, upon certification by the State Commissioner of Taxation and Finance of the amount of revenues received, be deposited by the State Comptroller in the Special Account, regardless of the investment results of the State Comptroller pending such deposits. The State
Comptroller may in his discretion invest moneys in the Special Account in obligations of the United States or of the State or in obligations the principal of and interest on which are guaranteed by the United States or by the State. The Commissioner of Taxation and Finance may invest moneys in the Stock Transfer Tax Fund in accordance with the Finance Law. However, if such amounts are needed for payment into the Special Account, the Commissioner of Taxation and Finance must pay the amount of moneys needed from collections in cash into the Special Account.

The Sales Tax and the Stock Transfer Tax do not require annual reenactment by the State Legislature. However, the State is not bound or obligated to continue the imposition of either the Sales Tax or the Stock Transfer Tax or to maintain the existence of the Special Account or the Stock Transfer Tax Fund or to make any appropriations of the revenues received from the Sales Tax credited to the Special Account or from the Stock Transfer Tax deposited in the Stock Transfer Tax Fund. The First General Bond Resolution, however, provides that (i) the failure or refusal of the State for any reason to continue the imposition of either the Sales Tax imposed by the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by such Law as the same may be from time to time amended or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975, or (ii) the failure of the State to maintain the existence of the Special Account or the Stock Transfer Tax Fund, or (iii) the failure of the State Comptroller to pay to the Corporation for deposit in the Debt Service Fund and the Capital Reserve Fund the amount or amounts as shall be certified by the Chairman, shall each constitute an event of default with respect to the First Resolution Bonds. See "PART 11—SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GENERAL BOND RESOLUTION—Events of Default."

Sales Tax

Under the Tax Law, in addition to the 4% sales and compensating use taxes levied statewide, the Sales Tax is imposed within the City at the rate of 4% on (i) receipts from (a) retail sales of tangible personal property, (b) sales, other than sales for resale, of certain services, (c) sales, other than sales for resale, of gas, electricity, refrigeration and steam, and of telephony and telegraphy, (d) occupations of hotel rooms, and (e) sales of food or beverages in or by restaurants, taverns and similar establishments and by caterers; (ii) certain admission, entertainment, cover, minimum and club charges or dues; and (iii) the use within the City of certain tangible personal property and services. The Sales Tax is also imposed on receipts from sales of the service of providing in the City parking, garaging or storing for motor vehicles at the rate of 6%. The Sales Tax is subject to certain limited exceptions, exemptions and exclusions.

The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the City, and there can be no assurance that the historical data with respect to collections of such tax are necessarily indicative of future receipts. During recent years the City has experienced adverse trends in certain economic and demographic factors which contributed to the slowing of the growth rate of sales tax collections. Employment in the City decreased by 12.5% between 1970 and October 1977, as compared to an increase of 16.0% for the United States. The City's unemployment rate rose from 4.8% in 1970 to a peak of 12.1% in January 1977 and has since declined to 8.4% as of October 1977. The unemployment rate for the United States increased from 4.9% in 1970 to a peak of 9.0% in February through May 1975, and has since declined to 7.0% as of October 1977. The population of the City decreased by 5.7% between 1970 and 1976, as compared to a population increase of 4.8% for the United States. (The sources of statistics referred to in this paragraph are the New York State Department of Labor, the U.S. Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of the Census.) See "PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

If negative trends continue or accelerate, Sales Tax collections may be adversely affected. The Corporation believes that it is not possible to predict the effect of future developments with respect to the City's economic condition or other related economic developments in the City on Sales Tax collections. As shown in the table below, collections of the Sales Tax and the sales and compensating use taxes previously imposed by the City have increased in each of the last ten years, although generally since 1974 at a rate less than the rate of inflation.
Generally, vendors of any item including services, the sale of which is subject to the imposition of the Sales Tax, are required to file returns and pay this tax on a quarterly basis. Under existing statutes and regulations, such returns and payments are due on September 20, December 20, March 20 and June 20 for the quarter ending on the last day of the preceding month. Since March 1, 1976, however, those vendors with taxable receipts of $300,000 or more ($100,000 or more beginning September 1, 1977) in any quarter of the preceding four quarters, are required to file monthly returns on an historical basis and make monthly payments, in addition to filing regular quarterly returns to reconcile their monthly returns with their actual receipts. In addition, such large vendors are required to prepay estimated Sales Tax liability for March by March 20.

Under the Finance Law, the Sales Tax revenues payable to the Special Account in the Municipal Assistance Tax Fund are required to be paid into such Account in accordance with the following procedure. On or before the twelfth day of each month, the State Commissioner of Taxation and Finance is required to certify to the State Comptroller the amount of all Sales Tax revenues received, after deduction of administrative costs, during the prior month as a result of the Sales Tax and all interest and penalties imposed. In addition, on or before the last day of June, the Commissioner is required to certify the amount of such revenues received during the first 25 days of June, which amounts are required to be deposited by the State Comptroller in the Special Account. Payments from the Special Account to the Corporation are subject to annual appropriation by the State Legislature. See footnote (e) to the table below as to adjustments that may be made with respect to the amounts deposited in the Special Account.

The Sales Tax is imposed on the same tax base as the sales and compensating use taxes previously imposed by the City and collected by the State. A tax on sales of certain tangible personal property and services had been imposed by the City since 1934. Such tax base does not include certain additional limited sales taxes on particular services which the City is still authorized to impose. Quarterly State collections of the sales and compensating use taxes imposed by the City prior to July 1, 1975, and of the Sales Tax imposed by the State since July 1, 1975, for the last ten fiscal years of the City, after deductions of the costs of administration, collection and distribution, were as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Quarterly Payments Required By:</th>
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<tbody>
<tr>
<td></td>
<td>September 20</td>
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<td></td>
<td>(Dollars in thousands)</td>
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<tr>
<td>1968</td>
<td>$ 94,284</td>
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<tr>
<td>1969</td>
<td>101,388</td>
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<tr>
<td>1970</td>
<td>106,046</td>
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<td>1971</td>
<td>114,092</td>
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<td>1972</td>
<td>121,692</td>
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<td>1973</td>
<td>130,857</td>
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<tr>
<td>1974</td>
<td>135,272</td>
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<tr>
<td>1975(b)</td>
<td>173,824</td>
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<tr>
<td>1976(b)</td>
<td>194,560(c)</td>
</tr>
<tr>
<td>1977(b)</td>
<td>215,794(e)</td>
</tr>
<tr>
<td>1978(b)</td>
<td>221,815(e)</td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

(a) The tabular figures have been adjusted through March 1977 to reflect overpayments or underpayments of both sales and compensating use taxes imposed by the City prior to July 1, 1975, and Sales Tax, to the Special Account. Such adjustments were made to subsequent distributions of the Sales Tax to the Special Account. Periods subsequent to March 1977 remain subject to the ongoing process of adjustment.

(b) The amounts of sales and compensating use taxes collected for fiscal 1975, 1976, 1977 and 1978 reflect the increases in the sales and compensating use taxes from 3% to 4%, effective July 1, 1974. The 6% tax on sales of certain parking services has remained the same.

(c) This amount represents combined total quarterly collections of both sales and compensating use taxes imposed by the City prior to July 1, 1975, and the Sales Tax, in the respective amounts of $73,648,000 and $120,912,000.

(footnotes continued on next page)
(d) The collections of payments required to be made by March 20, with respect to the preceding three months, include estimated payments by certain large vendors for the month of March; the collections of payments required to be made by June 20 are reduced by the amount of such March estimated payments.

(e) As a result of the method of monthly filing on an historical basis by large vendors and distribution to localities of Sales Tax for all periods on a historical basis, overdistributions were made to the Special Account which ranged from $2,416,015 to $11,122,699 for certain three-month periods. The State Department of Taxation and Finance has made reductions in distributions to reflect these overpayments and, in addition, has made interim reductions of approximately $5,100,000 to amounts that were to be distributed to the Special Account to provide for the possibility that overdistributions were made to the Special Account subsequent to August 1976. After reconciliation of taxes collected through November 1976, an increase of $1,916,573 was made to the distribution which would otherwise have been made to the Special Account in July 1977, largely to reflect an over-estimate contained in the interim reductions of $5.1 million. A decrease of $761,339 was made to the October 1977 distribution to the Special Account to reconcile taxes collected through March 1977. The Commissioner of Taxation and Finance believes that future adjustments, occasioned by overdistribution to such Special Account, will be reduced as the State Department of Taxation and Finance improves its techniques and procedures for estimating distributions of payments received from large vendors.

After deductions for the costs of administration, collection and distribution, monthly collections of the sales and compensating use taxes which were imposed by the City prior to July 1, 1975, and of the Sales Tax imposed by the State since July 1, 1975, for the last four fiscal years of the City are shown below:

**MONTHLY COLLECTIONS OF SALES AND COMPENSATING USE TAXES IN THE CITY(a)**

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
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<tr>
<td></td>
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<tr>
<td>1974</td>
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<tr>
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<td>July</td>
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<td>May</td>
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<tr>
<td>June</td>
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</tbody>
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Total                     $580,798

$787,200 $802,608 $858,384

Source: State Department of Taxation and Finance.
(a) See footnotes (a) and (e) to preceding table.
(b) Commencing March 1976, monthly collections reflect the requirement that certain large vendors file monthly returns, and make monthly payments, on an historical basis. Collections in October and November of the 1978 fiscal year reflect the fact that additional large vendors are required to make such payments for sales made on and after September 1, 1977.
(c) See footnote (c) to preceding table.
(d) Certain large vendors are required to report and make payment in March for estimated amounts of Sales Tax for such month as well as making a payment for the preceding February and making a reconciliation for the quarter ended the preceding February 28. Adjustments necessary to report and reflect actual amounts of Sales Tax for the month of March are required to be made on the monthly return due in the following April.
Stock Transfer Tax

The Stock Transfer Tax is imposed pursuant to the Tax Law on sales, agreements to sell, memoranda of sale, deliveries and transfers made within the State of (i) shares or certificates of stock, (ii) certificates of rights to stock, (iii) certificates of interest in property or accumulations, (iv) certificates of interest in business conducted by a trustee or trustees and (v) certificates of deposit representing any of the foregoing. The imposition of the Stock Transfer Tax is subject to certain limited exceptions.

The Stock Transfer Tax is generally based on the number of shares sold or transferred at the rates set out below, which rates do not reflect the 25% surcharge imposed thereon pursuant to amendments to the Tax Law. Such surcharge is at present part of the Stock Transfer Tax, but will expire July 31, 1978.

**Stock Transfer Tax Rates**

<table>
<thead>
<tr>
<th>Selling Price Per Share</th>
<th>Rate Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $5</td>
<td>1 1/4¢</td>
</tr>
<tr>
<td>$ 5 or more but less than $10</td>
<td>2 1/2¢</td>
</tr>
<tr>
<td>$10 or more but less than $20</td>
<td>3 3/4¢</td>
</tr>
<tr>
<td>$20 or more</td>
<td>5¢</td>
</tr>
</tbody>
</table>

Transactions Other Than Sales: Per share 2 1/2¢

The level of Stock Transfer Tax revenues is related to the rate of tax imposed, the price of the shares traded and the volume of transactions on the securities exchanges located in the City. Such volume has fluctuated widely so that there can be no assurance that the historical data with respect to collections of such tax are necessarily indicative of future revenues.

The Corporation believes that it is not possible to predict the effect of developments with respect to the City's economic condition or other related economic developments in the City on Stock Transfer Tax collections. The volume of taxable securities transactions in the State may be adversely affected by (i) the evolution of a centralized nationwide securities market, (ii) the possible movement out of the State of one or both of the stock exchanges now located in the State and (iii) similar proposals which if implemented might tend to facilitate the execution of securities transactions not subject to the Stock Transfer Tax. In addition, the Federal Securities Acts Amendments of 1975 prohibit the imposition by the State of a tax on stock transfers made outside of the State and subject to the taxing jurisdiction of the State only because such transfer is effected through a registered clearing house, or is recorded on the books of a transfer agent, located in the State.

The amounts received from the imposition of the Stock Transfer Tax are paid into the Stock Transfer Tax Fund, which is in the custody of the State Commissioner of Taxation and Finance.

Under the Finance Law, moneys in the Stock Transfer Tax Fund shall, after deduction of the amount the State Commissioner of Taxation and Finance determines to be necessary for reasonable costs in the administration, collection and distribution of the Stock Transfer Tax, be paid to the extent needed into the Special Account. Such payments from the Stock Transfer Tax Fund are subject to annual appropriation by the State Legislature.
The revenues derived from the Stock Transfer Tax, after deduction of the costs of administration, collection and distribution of such tax, are shown below for the previous eight fiscal years of the City, based upon the various rates prevailing during the periods shown:

### QUARTERLY COLLECTIONS OF STOCK TRANSFER TAX

<table>
<thead>
<tr>
<th>City Fiscal Year Ended June 30</th>
<th>Three Months Ended</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30</td>
<td>December 31</td>
</tr>
<tr>
<td>1970</td>
<td>$56,571</td>
<td>$70,509</td>
</tr>
<tr>
<td>1971</td>
<td>46,563</td>
<td>59,170</td>
</tr>
<tr>
<td>1972</td>
<td>62,573</td>
<td>65,894</td>
</tr>
<tr>
<td>1973</td>
<td>59,405</td>
<td>68,993</td>
</tr>
<tr>
<td>1974</td>
<td>43,612</td>
<td>59,782</td>
</tr>
<tr>
<td>1975</td>
<td>35,756</td>
<td>40,214</td>
</tr>
<tr>
<td>1976(a)</td>
<td>53,049</td>
<td>57,937</td>
</tr>
<tr>
<td>1977(a)</td>
<td>62,220</td>
<td>69,072</td>
</tr>
<tr>
<td>1978(a)</td>
<td>68,770</td>
<td></td>
</tr>
</tbody>
</table>

Source: State Department of Taxation and Finance.

(a) Includes collections of the 25% surcharge imposed upon the Stock Transfer Tax effective August 1, 1975, which is scheduled to expire July 31, 1978.

The rates and maximum amounts of Stock Transfer Tax have been different for different categories of taxable transactions. The tax rate applicable to transactions involving sales by non-residents of the State (as defined in the Tax Law) made within the State had been 50% of the rates then applicable to residents (the "non-resident rate"). In addition, the amount of tax required to be paid on any taxable transaction which involves a sale on a single day (whether made by a resident or a non-resident) made within the State that relates to shares or certificates of the same class and issued by the same issuer had been limited to $350 (excluding the surcharge) (the "maximum tax"). In January 1977, this distinction between sales made within the State and sales made outside of the State with respect to the maximum tax and the non-resident rate was declared unconstitutional by the United States Supreme Court. State legislation has been enacted to repeal the non-resident rate and the maximum tax, thus eliminating the unconstitutional distinction in the law between sales made within the State and sales made outside the State. The legislation established a new maximum tax, applicable to qualifying sales made within or outside the State.

In addition, in order to eliminate the competitive disadvantage created by the Stock Transfer Tax for the securities industry in New York, the legislation instituted a program of statutory rebates. Beginning October 1, 1977, a 50% rebate replaced the non-resident rate. Rebates at the rate of 30% will apply to sales by residents after September 1, 1979, and all rebates will increase gradually to equal 100% after October 1, 1981. The legislation provides that taxpayers will continue to pay the Stock Transfer Tax at the above-stated rates and that revenues will continue to be paid into the Stock Transfer Tax Fund, although a substantial portion of such revenues will be paid into the Stock Transfer Tax Fund only at the end of each calendar quarter. To the extent that the Corporation does not require the use of Stock Transfer Tax revenues for debt service on its outstanding bonds and notes, and that under the Act such revenues would otherwise have been paid to the City, such revenues are available on a quarterly basis for payment of rebates. Any such revenues not used by the Corporation to pay rebates are paid to the City.

The Corporation believes that the new maximum tax will cause only a negligible loss in Stock Transfer Tax collections because, although precise data are not available, studies by consultants to the Corporation indicate that the number of transactions involving a sale made outside of the State and subject to a tax in excess of the maximum tax is not material.
In the opinion of Bond Counsel to the Corporation, the procedures with respect to the levy, collection, payment and rebate of the Stock Transfer Tax established by such legislation do not violate any of the provisions of the First or Second General Bond Resolutions or any Series Resolution adopted pursuant thereto.

To date, the Corporation has not found it necessary to rely on the Stock Transfer Tax to pay its debt service. Based on present projections, the Corporation does not anticipate that it will be necessary to utilize the Stock Transfer Tax in the future, although no assurance can be given that it will not be so required. See “PART 4—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS.”

Restoration of Capital Reserve Fund

Additional payments may be made to the Capital Reserve Fund as a result of the following provision of the Act:

“In order further to assure the maintenance of the capital reserve fund, there shall be annually appropriated and paid to the corporation for deposit in the capital reserve fund such sum, if any, as shall be certified by the chairman to the governor and director of the budget as necessary to restore the capital reserve fund to an amount equal to the capital reserve fund requirement. The chairman of the board of directors of the corporation shall, annually, on or before December first, make and deliver to the governor and director of the budget his certificate stating the sum, if any, required to restore the capital reserve fund to the amount aforesaid; and the sum or sums so certified, if any, shall be appropriated and paid to the corporation during the then current state fiscal year. . . . [F]or each of the calendar years set forth below the capital reserve fund requirement, as of any date of calculation, shall equal the percentage set forth opposite such calendar year of the amount of principal and interest maturing or otherwise due or becoming due during such calendar year on all bonds of the corporation secured by the capital reserve fund outstanding on such date:

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>0%</td>
</tr>
<tr>
<td>1976</td>
<td>0%</td>
</tr>
<tr>
<td>1977</td>
<td>25%</td>
</tr>
<tr>
<td>1978</td>
<td>50%</td>
</tr>
<tr>
<td>1979</td>
<td>75%</td>
</tr>
<tr>
<td>1980</td>
<td>100%</td>
</tr>
</tbody>
</table>

After 1980, the required amount of the Capital Reserve Fund will be the amount of principal of and interest maturing or otherwise due or becoming due in the succeeding calendar year on any First Resolution Bonds then to be issued and on all other First Resolution Bonds of the Corporation then outstanding, including for such purpose any unpaid amounts of principal and interest owing on First Resolution Bonds in respect of prior calendar years.

The Corporation, in accordance with the Act and pursuant to the express provisions of the First General Bond Resolution, has covenanted to cause its Chairman to certify on or before each December 1 to the Governor and the State Director of the Budget the sum required to restore the Capital Reserve Fund to its required amount and has agreed to certain additional requirements relating to such certification and maintenance of the Capital Reserve Fund. See “General” in this PART 3.

Under the State Constitution, no money may be paid out of the State Treasury or any of its funds or out of any of the funds under its management except pursuant to an appropriation by law specifying the sum appropriated, and payment thereunder shall be made within two years immediately following passage of such law. Accordingly, the provision of the Act quoted above does not constitute an enforceable obligation or debt of the State. See “Appropriation by Legislature” in this PART 3.
As of the date of this Official Statement, the Corporation had on deposit in the Capital Reserve Fund $166 million, which amount exceeds 50% of the debt service coming due in calendar year 1978 on the currently outstanding First Resolution Bonds, and which amount will exceed 50% of the debt service coming due in calendar year 1978 on the First Resolution Bonds outstanding after issuance of the 1978 Series JJ Bonds and the Refunding of the 1975 Series B Bonds.

Federal Bankruptcy Legislation

As discussed under "PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY", a new Chapter 9 of the Federal Bankruptcy Act became effective in April 1976. A petition for relief under the provisions of such Chapter (a "Chapter 9 petition") may be filed by any State agency that is authorized under State law to file such a petition. The Corporation is an agency and instrumentality of the State and, if authorized to file a petition by the State Legislature or other appropriate authority, could file a Chapter 9 petition if the Corporation were insolvent or unable to meet its debts as they mature, and were to meet the other conditions specified in Chapter 9. The Corporation is not now authorized by the State to file a Chapter 9 petition, although it may be so authorized in the future. If the Corporation commenced such a Chapter 9 proceeding, the 1978 Series JJ Bonds would be among the debts of the Corporation it could seek to modify or adjust by a plan in that proceeding. The Corporation does not anticipate that it will seek such authorization and does not anticipate a need for such relief.

Although the filing by the City of a Chapter 9 petition might have a general adverse effect on the economic health of the City, the Corporation believes that the filing by the City or the Emergency Financial Control Board of a Chapter 9 petition would not affect the ability of the Corporation to repay its obligations, including the 1978 Series JJ Bonds, see "PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

PART 4—DEBT SERVICE PAYMENT REQUIREMENTS AND ESTIMATED COVERAGE RATIOS

Assuming that the Sales Tax and Stock Transfer Tax collections (after deduction of costs of administration, collection and distribution) in each fiscal year remain at the levels for the 12 months ended September 30, 1977, see "PART 3—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax" and "Stock Transfer Tax", and operating expenses of the Corporation remain at $5.5 million (the estimate for the current fiscal year), the aggregate annual amount which would be available from the Sales Tax and the Stock Transfer Tax, if needed, to pay debt service on the First Resolution Bonds and Notes and interest on the Other Obligations is shown below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Dollars in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax collections for the 12 months ended September 30, 1977</td>
<td>$864,405</td>
</tr>
<tr>
<td>Stock Transfer Tax collections for the 12 months ended September 30, 1977</td>
<td>229,992(a)</td>
</tr>
<tr>
<td>Sub-total</td>
<td>1,094,397</td>
</tr>
<tr>
<td>Less: operating expenses of Corporation</td>
<td>5,500</td>
</tr>
<tr>
<td>Aggregate Sales and Stock Transfer Taxes</td>
<td>1,088,897</td>
</tr>
</tbody>
</table>

(a) Exclusive of $57.7 million attributable to the 25% surcharge, discussed in "PART 3—PROVISIONS FOR PAYMENT OF THE BONDS—Stock Transfer Tax."

The following table shows the aggregate annual debt service payment requirements on the First Resolution Bonds after issuance of the 1978 Series JJ Bonds and the refunding of the 1975 Series B Bonds. In addition, the table shows the ratios of the Sales Tax alone and the Sales Tax and Stock Transfer Tax (in each case less the $5.5 million estimated by the Corporation as necessary for its operating expenses for the current fiscal year) to such debt service payment requirements. The 1978 Series JJ Resolution and certain other resolutions of the Corporation include a covenant by the Corporation that it will not issue additional First Resolution Bonds, Notes or Other Obligations under the First General Bond Resolution if the aggregate annual
debt service on all outstanding obligations issued under the First General Bond Resolution would exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes). There is no assurance, however, that the Sales Tax or the Stock Transfer Tax collections or operating expenses will in fact remain at the levels referred to above in subsequent years. Furthermore, the Corporation reserves the right to issue additional obligations within the limitations contained in the First and Second General Bond Resolutions and other resolutions. See “PART 5—BONDS BEING OFFERED—Additional Bonds.”

### Debt Service Payment Requirements and Estimated Coverage Ratios*

<table>
<thead>
<tr>
<th>12-Month Period Ended June 30</th>
<th>Principal Payments (a)</th>
<th>Interest Payments</th>
<th>Total Debt Service Payments</th>
<th>Estimated Coverage Ratio (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>$55,465</td>
<td>$231,456</td>
<td>$286,921</td>
<td>3.80</td>
</tr>
<tr>
<td>1979</td>
<td>45,710</td>
<td>257,066</td>
<td>302,776</td>
<td>3.60</td>
</tr>
<tr>
<td>1980</td>
<td>69,125</td>
<td>252,127</td>
<td>321,252</td>
<td>3.39</td>
</tr>
<tr>
<td>1981</td>
<td>60,795</td>
<td>246,212</td>
<td>307,007</td>
<td>3.55</td>
</tr>
<tr>
<td>1982</td>
<td>56,940</td>
<td>240,985</td>
<td>297,925</td>
<td>3.65</td>
</tr>
<tr>
<td>1983</td>
<td>139,545</td>
<td>236,426</td>
<td>375,971</td>
<td>2.90</td>
</tr>
<tr>
<td>1984</td>
<td>150,600</td>
<td>224,961</td>
<td>375,561</td>
<td>2.90</td>
</tr>
<tr>
<td>1985</td>
<td>115,240</td>
<td>211,752</td>
<td>326,992</td>
<td>3.33</td>
</tr>
<tr>
<td>1986</td>
<td>175,245</td>
<td>202,579</td>
<td>377,824</td>
<td>2.88</td>
</tr>
<tr>
<td>1987</td>
<td>183,545</td>
<td>187,505</td>
<td>371,050</td>
<td>2.93</td>
</tr>
<tr>
<td>1988</td>
<td>201,725</td>
<td>171,440</td>
<td>373,165</td>
<td>2.92</td>
</tr>
<tr>
<td>1989</td>
<td>222,825</td>
<td>154,276</td>
<td>377,101</td>
<td>2.89</td>
</tr>
<tr>
<td>1990</td>
<td>238,360</td>
<td>136,623</td>
<td>374,983</td>
<td>2.90</td>
</tr>
<tr>
<td>1991</td>
<td>255,485</td>
<td>117,630</td>
<td>373,115</td>
<td>2.92</td>
</tr>
<tr>
<td>1992</td>
<td>276,000</td>
<td>97,105</td>
<td>373,105</td>
<td>2.92</td>
</tr>
<tr>
<td>1993</td>
<td>291,555</td>
<td>73,926</td>
<td>365,481</td>
<td>2.98</td>
</tr>
<tr>
<td>1994</td>
<td>316,100</td>
<td>49,321</td>
<td>365,421</td>
<td>2.98</td>
</tr>
<tr>
<td>1995</td>
<td>331,738</td>
<td>25,000</td>
<td>356,738</td>
<td>3.05</td>
</tr>
</tbody>
</table>

(a) Includes Sinking Funds Installments, but does not include amounts required to be paid into the Capital Reserve Fund.
(b) Such coverage ratios assume amounts available in each 12-month period will remain at a level equal to the amount of collections for the 12-month period ended September 30, 1977.

### Description of the Bonds

**General**

The 1978 Series JJ Bonds will be issued pursuant to the First General Bond Resolution and the 1978 Series JJ Resolution. The 1978 Series JJ Bonds will be dated January 1, 1978, and will mature and bear interest as shown on the cover page of this Official Statement.

* Interest payments and coverage ratios estimated for the purposes of this preliminary Official Statement assume that the interest rates on the 1978 Series JJ Bonds due February 1, 1982 through 1985 will range from 7 1/4% to 7 3/4% and that the interest rates on the 1978 Series JJ Bonds due February 1, 1995 will be 8%.
The 1978 Series JJ Bonds will be issued as coupon bonds in the denominations of $5,000 each, registrable as to principal only, or as fully registered bonds in the denomination of $5,000 or any integral multiple of $5,000. Coupon bonds and fully registered bonds will be interchangeable. The 1978 Series JJ Bonds will be registrable on the books of the Corporation at the corporate trust office of the Trustee.

For every exchange or transfer of the 1978 Series JJ Bonds, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The cost of preparing each new bond issued upon such exchange or transfer and any other expenses of the Corporation or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) will be paid by the Corporation as operating expenses.

Optional Redemption

The 1978 Series JJ Bonds due February 1, 1982 through 1985, are not subject to redemption prior to maturity. The 1978 Series JJ Bonds due February 1, 1995 are subject to redemption at the option of the Corporation on and after February 1, 1988, as a whole on any date, or in part by lot on any interest payment date or dates, at the following redemption prices (expressed as percentages of the principal amount), plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Period (Dates Inclusive)</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 1, 1988 to January 31, 1990</td>
<td>102%</td>
</tr>
<tr>
<td>February 1, 1990 to January 31, 1991</td>
<td>101½</td>
</tr>
<tr>
<td>February 1, 1991 to January 31, 1992</td>
<td>101</td>
</tr>
<tr>
<td>February 1, 1992 to January 31, 1993</td>
<td>100½</td>
</tr>
<tr>
<td>February 1, 1993 and thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Sinking Fund Redemption

The 1978 Series JJ Bonds due February 1, 1995 are also subject to redemption, in part, by lot, on February 1 in each of the years, and in the respective principal amounts, set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory "Sinking Fund Installments" which are required to be made in amounts sufficient to redeem on February 1 of each year, the principal amount of such 1978 Series JJ Bonds specified for each of the years shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>1990</td>
<td>20,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>1995</td>
<td>10,000,000</td>
</tr>
</tbody>
</table>

* Maturity

Giving effect to the Sinking Fund redemption set forth above, the average life of the 1978 Series JJ Bonds due February 1, 1995 would be approximately 13¼ years, calculated from January 1, 1978.

The Corporation may from time to time direct the Trustee to purchase the 1978 Series JJ Bonds due February 1, 1995 with moneys in the Debt Service Fund, at or below par plus unpaid interest accrued to the date of such purchase, and apply any such 1978 Series JJ Bonds so purchased as a credit, at par, against and in fulfillment of the required Sinking Fund Installments on such 1978 Series JJ Bonds. See "PART 11—SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GENERAL BOND RESOLUTION—Debt Service Fund." To the extent that the Corporation fulfills its sinking fund obligations through such purchases, the likelihood of redemption by lot of any bondholder's 1978 Series JJ Bonds due February 1, 1995 through the operation of the sinking fund will be reduced for such year. The Corporation has in the past made such purchases with respect to certain of its Second Resolution Bonds and may in the future do so with respect to the 1978 Series JJ Bonds.

Trustee

United States Trust Company of New York is the Trustee under the First General Bond Resolution. Its corporate trust office is located at 130 John Street, New York, New York 10038. For further information concerning the Trustee, see "PART 13—TRUSTEE."
Additional Bonds

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $5.8 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes), which amount was increased by the State Legislature in 1977 from $5.25 billion. After the issuance of the 1978 Series JJ Bonds and the refunding of the 1975 Series B Bonds, the Corporation will have issued an aggregate $5.67 billion (exclusive of the 1978 Series JJ Bonds and other refunding bonds, but inclusive of bonds and notes previously paid or repurchased and therefore no longer outstanding).

For so long as any 1978 Series JJ Bonds and certain other bonds of the Corporation remain outstanding, the Corporation may not issue additional obligations under the First General Bond Resolution if the issuance thereof in any fiscal year of the Corporation would cause the aggregate amount of interest and principal (including Sinking Fund Installments due thereon), maturing or otherwise coming due in such fiscal year on outstanding First Resolution Bonds and Notes and the interest on all Other Obligations (each such term as defined in the First General Bond Resolution) coming due in the then current or any future fiscal year of the Corporation to exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination Notes).

In addition, the Corporation may issue additional First Resolution Bonds, Notes or Other Obligations under the First General Bond Resolution only if the following conditions imposed by such Resolution are met:

1. The amount equal to (a) the lesser of (i) the most recent collections, for the 12 consecutive calendar months ended not more than two months prior to the date of such determination, of the Sales Tax and Stock Transfer Tax (and such other taxes, which as of the date of issuance of any such series of First Resolution Bonds, Notes or Other Obligations are levied and collected by the State and are payable into the Special Account) or (ii) the amounts estimated to be collectible during the succeeding 12-month period from such sources as estimated by the State Commissioner of Taxation and Finance, less (b) the estimated amount of operating expenses of the Corporation for the then current fiscal year of the Corporation, is at least 2 times (c) the amount of principal, including Sinking Fund Installments, and interest maturing or otherwise coming due in the then current or any future fiscal year of the Corporation on all outstanding First Resolution Bonds and Notes and interest on Other Obligations (including the particular series or series of additional First Resolution Bonds, Notes or Other Obligations then proposed to be issued); and

2. The amount of Sales Tax collections (determined as in clause (a) of paragraph 1 above), less the estimated operating expenses of the Corporation for the then current fiscal year of the Corporation, is at least 1.5 times the amount determined under clause (c) of paragraph 1 above.

The Second General Bond Resolution contains further limitations upon the issuance by the Corporation of additional obligations under the First General Bond Resolution which limitations will not affect the issuance of the 1978 Series JJ Bonds. The Second Resolution Bonds are payable principally from the municipal assistance state aid fund established pursuant to the Finance Law and also from the Municipal Assistance Tax Fund on a subordinated basis to the First Resolution Bonds.

Small Denomination Notes

After the delivery of the 1978 Series JJ Bonds, the Corporation may offer to the public Notes, as defined in the First General Bond Resolution, for up to $25 million, in small denominations (currently denominations in the range of $50 to $500 are being considered), subject to the limitations described under “Additional Bonds” in this Part 5.

PART 6—CERTAIN DEVELOPMENTS AFFECTING THE STATE

Although the 1978 Series JJ Bonds are not obligations of the State, financial developments with respect to the State may affect the market or market prices for and sources of payment of the 1978 Series JJ Bonds. As described under “PART 3—PROVISIONS FOR PAYMENT OF THE BONDS”, the revenues of the Corporation that are pledged to payment of debt service on the First Resolution Bonds are derived principally from the
Sales Tax and secondarily from the Stock Transfer Tax. The payment of these revenues to the Corporation is subject to appropriation by the State Legislature. The State Legislature has made appropriations to the Corporation for each of the State's fiscal years since 1976, including appropriations for the State's current fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for subsequent fiscal years. It is possible that the willingness of the State Legislature to make such appropriations may in the future be affected by the financial condition of the State.

The factors affecting the State's financial condition are complex, and the following description constitutes only a brief summary. This section is based entirely on information supplied by the State.

**Long-Term Trends**

The State and the City face serious potential long-term economic problems. The City accounts for approximately 40% of the State's population and tax receipts, and the City's financial health affects the State in numerous ways. See "PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY" for a discussion of the City's financial difficulties.

The State has long been one of the wealthiest states in the nation. For decades, however, the State has grown more slowly than the nation as a whole, resulting in the gradual erosion of its relative economic affluence. The causes of this relative decline are varied and complex, in many cases involving national and international developments beyond the State's control.

Certain manufacturing facilities have relocated to other states. This trend has been partially offset by the location of some new manufacturing facilities in the State and by the expansion of existing facilities in the State. Some corporate headquarters have also moved from New York City to locations outside the State, and the possibility that certain financial institutions will leave the State has been widely reported.

Part of the reason for the long-term relative decline in the State economy has been attributed to the combined State-local tax burden, which is the highest in the continental United States. The existence of this tax burden limits the State's ability to impose higher taxes in the event of future financial difficulties.

Recently attempts have been made to bring the rate of growth in the public sector in the State into line with the slower expansion in the private economy. Prior to those efforts, annual increases in expenditures at both the State and local levels exceeded the increases in revenues generated by economic growth and were therefore financed in part through discretionary tax increases at both levels of government.

The growing burdens of State and local taxation, in combination with the many other causes of regional economic dislocation, may have contributed to the decisions of businesses and individuals to relocate outside, or not locate within, the State. The Governor has announced a series of programs which are intended both to limit expansion in the public sector and encourage expansion in the private sector in order to make possible a reversal of these trends. However, no immediate reversal of the erosion of the State's economic position relative to the nation as a whole has been projected.

**Financial Difficulties of Fiscal Years 1975 and 1976**

During the last several years, some of the State's public benefit corporations ("authorities") and municipalities (in particular, the City) have faced extraordinary financial difficulties and these problems have affected the State's own financial condition. These events created substantial investor resistance to securities issued by the State and some of its municipalities and authorities, and, for a time, in late 1975 and early 1976, resulted in a virtual closing of public markets for State and many State-related securities.

In February 1975, the New York State Urban Development Corporation ("UDC"), a major authority, with approximately $1 billion of outstanding debt, defaulted on certain of its short-term notes. As a result of various actions by the State and others, such default has been cured.

Shortly after the UDC default, the City entered a period of financial crisis from which it has not yet emerged. To assist the City, the State (i) accelerated the payment of $800 million in local assistance payments
(an action repeated in the State's 1977 and 1978 fiscal years), (ii) created the Corporation to assist with long-
term financing of the City's short-term debt and other cash requirements, (iii) provided advances (since repaid)
to the City and the Corporation totalling $750 million and (iv) enacted the Moratorium Act, since declared
unconstitutional. See "PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY."

In the months following the UDC default and during the City crisis, certain other authorities and
municipalities became unable to market their securities. Authorities with large amounts of short-term debt
faced severe financial difficulties when they became unable to sell long-term obligations, the proceeds from
which they had anticipated using to pay maturing short-term debt. The State provided extraordinary assistance
to these authorities, primarily through the purchase of their bonds and notes by State-related sources. The
cities of Yonkers and Buffalo experienced financial crises and received accelerated local assistance payments
and other assistance from the State.

The State's 1976 fiscal year ended with a deficit of $447 million, which would have been greater but for
approximately $300 million of non-recurring receipts. The State financed this $447 million deficit by transferring
$65 million from reserve funds and by issuing $382 million of tax anticipation notes which were paid early in
the State's 1977 fiscal year.

**Plans and Results for the 1977 Fiscal Year**

In response to the financial problems confronting it, the State developed programs that included (i) a
balanced budget for the State's 1977 fiscal year, (ii) a borrowing plan to provide for the State's estimated
borrowing needs of $4.53 billion for its 1977 fiscal year (of which $3.72 billion was for seasonal needs and
$810 million was for capital purposes), (iii) a plan (the "Authority Build-Out Plan") to meet the financing
requirements through September 30, 1978, aggregating approximately $2.6 billion, of four financially troubled
authorities (the "Build-Out Authorities") and (iv) provision for an $88 million appropriation to UDC and
appropriations to other authorities as part of a program to complete projects under construction and avoid
default on outstanding obligations. In addition, legislation was enacted limiting the incurrence of additional
so-called "moral obligation" and certain other authority debt.

The State ended its 1977 fiscal year with a deficit of $92 million. This deficit resulted, in major part, from
expenditures for social services that exceeded original budget projections. In addition receipts from sales and
personal income taxes were below such projections, but the decrease was offset by the receipt of additional
Federal aid. The State financed this deficit by issuing notes that were paid on June 14, 1977. Approximately
$440 million of non-recurring receipts were received in the 1977 fiscal year, which more than offset the non-
recurring expenditures for the payment of $382 million of tax anticipation notes issued to finance the fiscal
1976 deficit. The State also collected more than $200 million of receipts from temporary taxes.

Both the State and the Build-Out Authorities satisfied their financing needs for the State's 1977 fiscal year,
which were less than originally estimated.

**Outlook for the 1978 Fiscal Year**

**State Financial Plan**

On April 5, 1977, the State presented its Financial Plan for the 1978 fiscal year (the "State Financial
Plan") with both General Fund expenditures and receipts projected at approximately $11.4 billion. On
October 31, 1977 the projections were revised to $11.353 billion and $11.371 billion, respectively. The
program for the 1978 fiscal year provides for borrowing by the State of $4.74 billion under the State's bor-
rowing plan for 1978 and for continued borrowing to meet the requirements of the Authority Build-Out
Plan. The $4.74 billion represents $3.99 billion of borrowing in anticipation of taxes and revenues ("seasonal
borrowing") and up to $753 million of borrowing to finance capital projects and to retire outstanding bond
anticipaton notes.

On April 15, 1977 and June 15, 1977, the State completed its seasonal borrowing through the issuance
to the public of $3.99 billion of tax and revenue anticipation notes that mature during the State's 1978
fiscal year. In order to complete the projected $753 million of nonseasonal borrowing, the State sold to the
public $96 million of bonds in June 1977, $130 million of bond anticipation notes and $109 million of bonds
in September 1977 and $105 million of bonds in December 1977 and it expects to issue additional long-term
bonds and bond anticipation notes and expects to renew certain bond anticipation notes to a date after March 31, 1978. To the extent the State cannot meet its nonseasonal borrowing needs from public sales, certain State-related sources have agreed to purchase the remaining bonds and bond anticipation notes.

Certain developments affecting the State Financial Plan have occurred since the Plan was formulated in early April 1977, which resulted in a revision in the Plan in October 1977: (i) completion of the first six months of the 1978 fiscal year with a cash balance significantly greater than projected (attributable to both higher-than-anticipated total receipts and lower-than-anticipated total expenditures); (ii) passage of a supplemental budget providing for approximately $50 million in expenditures (reserves for which were available in the State Financial Plan as originally formulated); (iii) passage of legislation authorizing payment of salary increases and related benefits obtained by public employees in recent negotiations with the State; (iv) placement of the seasonal and non-seasonal borrowing with interest rates significantly below those projected in the April State Financial Plan; (v) passage of other legislation affecting receipts and disbursements by minor amounts; and (vi) the decision to pay approximately $150 million in personal income tax refunds on 1977 income during the 1978 fiscal year rather than deferring all such payments to the State’s next fiscal year.

Build-Out Authorities

The Authority Build-Out Plan is intended to provide approximately $2.6 billion to complete projects and to refinance outstanding bond anticipation notes through September 30, 1978. As of November 1, 1977, $405 million in build-out requirements had been permanently financed or otherwise reduced within the Authority Build-Out Plan, project suspensions had reduced financing requirements by another $117.8 million, and an additional $740.8 million was provided for ongoing and previously-suspended projects through sales of bonds to the public and other sources of financing not included in the Build-Out Plan. The State anticipates that the Build-Out Authorities will continue to meet their financing requirements under the Authority Build-Out Plan, and that they will be able to obtain long-term financing for their maturing bond anticipation notes and other capital requirements in the public market at the termination of the Authority Build-Out Plan after September 30, 1978 or that, in the absence of such a public market, the State will develop and implement a revised Authority Build-Out Plan.

Potential Problems in Current and Subsequent Fiscal Years

State Financial Plan

The State Financial Plan could be adversely affected by economic factors beyond the State’s control. Cutbacks in employment, relocation of businesses to other states or failures of the national and State economic recoveries to occur to the extent assumed in the State Financial Plan could result in receipts that are less, or expenditures that are more, than those projected in the State Financial Plan.

The use of certain non-recurring receipts and the virtual exhaustion of reserve funds to cover deficits in prior fiscal years have diminished the State’s financial options in the event receipts are less, or expenditures are more, than those projected in the State Financial Plan.

Problems of Authorities

A large housing co-operative, Co-op City, the mortgage on which is held by the New York State Housing Finance Agency ("HFA"), continues to have financial difficulties that could cause the State to make payments pursuant to statutory provisions for the maintenance of debt service reserve funds for non-profit housing bonds of HFA (commonly referred to as the "moral obligation" provisions). A recent agreement, which runs from August 1, 1977, through October 31, 1979, provides for increases in rent and co-operators' equity investments, discontinuance of a foreclosure action against the co-operators, resumption of mortgage payments to HFA (other than the June 1977 payment which is not provided for by the agreement), introduction by the Governor of legislation for a comprehensive program for certain state-aided housing, and other matters. The agreement may result in further withdrawals from HFA non-profit housing debt service reserve funds in the period through May 1978, and will probably result in such withdrawals thereafter. Inability to fund operating expense deficiencies which are expected to arise during the term of such agreement, or the occurrence of other events at Co-op City, could have a serious impact upon the financial stability of Co-op City and the non-profit housing program of HFA.
The City has commenced proceedings against Co-op City to recover delinquent real property taxes that the City estimates aggregate approximately $24 million. The City anticipates, however, that such proceedings will not be completed before the development and implementation of the proposed comprehensive housing program, mentioned above.

The ability of UDC to meet its cash requirements is dependent upon the receipt of substantial additional State appropriations for an indefinite period which are projected by UDC to range from $227 million to $319 million, through 1999. Failure to make such appropriations could result in a default on 1.1 billion of UDC obligations which could, in turn, interrupt the flow of income and federal revenues to the State Project Finance Agency for payment of debt service on its bonds.

If the Battery Park City Authority, which has issued $200 million of bonds for the development of portions of a residential and commercial project in the City, continues to be unable to develop revenue-producing facilities, the State will probably be requested to make payments pursuant to the “moral obligation” provisions for these bonds.

Rising operating costs and interest rates may result in increased rents or fees on projects financed by various authorities in the future. Failure to pass such increased costs to residents or users of such projects would adversely affect the fiscal stability of the authorities, and possibly cause the State to be requested to make appropriations to such authorities pursuant to “moral obligation” provisions. There is no assurance, however, that the Legislature would make such appropriations.

Litigation

Various litigations are pending that may, if decided adversely to the State or the localities involved, adversely affect the State Financial Plan. Among these litigations are those that challenge: (i) the constitutionality of State legislation authorizing certain cities and city school districts with fewer than 125,000 persons to continue, for three years, to impose a special increase on real property tax rates in order to raise funds for pension contributions (the legislation also provides for imposition of a state tax on real property in such cities and school districts in the event the Court of Appeals holds unconstitutional the provision authorizing such increased local real property tax rates) (ii) the constitutionality of the present system of levying taxes and applying funds for public school purposes; (iii) the validity of approximately $74 million of State bond anticipation notes, issued in March 1976 to reimburse the State's General Fund for capital expenditures in prior fiscal years, of which amount approximately $53 million were issued for back-bonding purposes, and by extension the validity of an additional approximately $58 million in such debt issued during the 1977 fiscal year which would also be affected by the outcome of the litigation; (iv) the constitutionality of an agreement among the State, the County of Albany and the City of Albany for construction and financing by the County for long-term lease to the State of the Empire State Plaza in Albany, and by extension any similar arrangements to which the State is a party; (v) investment by State retirement systems in debt obligations of the State and its authorities; and (vi) the validity of certain cost control measures affecting State social service and Medicaid expenditures.

PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY

Although bonds of the Corporation are not obligations of the City, financial developments with respect to the City may affect the market or market prices for the First Resolution Bonds, including the 1978 Series JJ Bonds. The Corporation believes that its ability to repay the First Resolution Bonds is not dependent upon the financial condition of the City. However, economic and demographic conditions in the City may affect the levels of Sales Tax receipts, see “PART 3—PROVISIONS FOR PAYMENT OF THE BONDS—Sales Tax.” This section describes the City's financial plan for its 1978 fiscal year, the major assumptions and uncertainties with respect to such plan, the cash sources the City has identified to cover its cash needs through the end of such fiscal year, and some of the financial difficulties the City will face subsequent to the 1978 fiscal year.

As required by the Act, the City has adopted an Expense Budget for the 1978 fiscal year in which it projects total income equal to total expenditures, after the adjustments permitted by the Act, as described.
For the period subsequent to the 1978 fiscal year, however, the City faces potential Expense Budget deficits and other difficulties in complying with the requirements of the Act, as well as the need to identify cash sources sufficient to meet its cash needs. By the end of the 1978 fiscal year many collective bargaining contracts between the City and its employees will have expired, the Federal Credit Agreement, pursuant to which the City has obtained its seasonal financing, will have terminated, and the New York City Pension Funds, which have been the City’s primary source of capital financing, will have fulfilled their obligations to provide such financing. For a discussion of these and certain other factors affecting the City’s financial condition in the years subsequent to the 1978 fiscal year, see “Recent Financial Developments”, “Outlook for the 1978 Fiscal Year” and “Expiration of Plan” in this PART 7.

The City’s accounting system is being restructured to permit an independent audit of the City’s financial statements for the 1978 and subsequent fiscal years and the City has undertaken steps to adopt as its method of accounting certain accounting principles promulgated by the State Comptroller, see “PART 9—VARIOUS CONTROL PROGRAMS—Conditions to Payments to the City”, and “Recent Financial Developments—Certain Actions Taken to Date” in this PART 7. The City has reported that it is possible that material errors and omissions may exist in financial information reported by the City for fiscal years prior to the 1978 fiscal year. The City has selected a consortium of independent accountants to perform an audit of the City’s records for the 1978 fiscal year. On June 30, 1977 the City put into operation most elements of a new integrated financial management system (“IFMS”). However, the City has reported that IFMS is a systems project of substantial magnitude and complexity, and that it will be some time before all elements of IFMS are functioning smoothly. The City has reported that there are significant delays in the recording of revenues in the IFMS system, that such delays have not affected the collection and use of revenues or their continued monitoring by manual systems previously in use, but that the financial information the City reports may be subject to material revision until the new system is functioning smoothly.

The factors affecting the City’s financial condition are complex, and the following description constitutes only a brief summary. This section is based entirely on information reported to the Corporation by the current City administration, the Control Board, the Special Deputy State Comptroller, presented in the Financial Plan (as defined below), or contained in other reports and statements referred to herein.

On November 8, 1977, a City general election was held. Edward I. Koch, a member of the United States House of Representatives, was elected Mayor. Harrison J. Goldin was re-elected City Comptroller and Carol Bellamy, a State Senator, was elected City Council President. Elections were also held for the other members of the Board of Estimate and the City Council. The terms of these elected officials begin on January 1, 1978. There can be no assurance that officials of the incoming City administration will not make determinations or issue reports and statements respecting the matters set forth in this PART 7 which differ materially from the determinations, statements and reports referred to herein.

Recent Financial Developments

Recent Financial Difficulties

During the last two and one-half years the City has faced extraordinary financial difficulties, including the inability to market its securities.

As of June 1975, the City had an accumulated deficit in excess of $5 billion and was to incur a substantial Expense Budget deficit for the 1976 fiscal year. For a number of years the City had been financing its deficits in part through the issuance of short-term notes and had issued short-term notes for long-term capital expenditures as well. Upon maturity, such notes were customarily repaid by the issuance of new notes. At the time the City was unable to market its securities in early 1975, more than $6 billion in City notes were outstanding and scheduled to mature within 12 months.

In response to this crisis, the State created the Corporation (1) to issue long-term bonds and other obligations to provide funds to pay maturing City short-term notes and to meet certain operating expenses of the City, and (2) to monitor compliance with a series of financial reforms on the part of the City described under “PART 9—VARIOUS CONTROL PROGRAMS.”
In response to the City's continuing financial difficulties and upon recommendation of the Corporation, the State Legislature, in September 1975, adopted the New York State Financial Emergency Act For The City of New York (the "Emergency Act"), which created the Control Board, see "PART 9—VARIOUS CONTROL PROGRAMS."

In addition, in November 1975, as a further response to such difficulties, the State Legislature enacted the New York State Emergency Moratorium Act (the "Moratorium Act"), which suspended the rights of holders of short-term notes of the City to bring suits to enforce payment of such notes. In November 1976, the State Court of Appeals held the Moratorium Act unconstitutional. The case was sent back to the State Supreme Court with instructions with respect to the entry of judgments requiring payment by the City of certain of the City notes which had been subject to the moratorium. For a discussion of the status of such City notes and the judgments pertaining thereto, see "Certain Actions Taken to Date" in this PART 7.

The City planned to re-enter the public capital markets through an underwritten offering of its revenue anticipation notes in November 1977. Moody's Investors Service, Inc. ("Moody's") was asked to rate these notes. Moody's had withdrawn its rating for City notes in 1975. On November 10, 1977 Moody's gave these notes a Moody's Investment Grade ("MIG")-4 rating. Loans bearing a MIG-4 rating are deemed by Moody's to be of adequate quality, carrying specific risk but having protection commonly regarded as required of an investment security and not distinctly or predominantly speculative. The MIG-4 rating was lower than the City and its underwriters had anticipated. Following the rating by Moody's, the City, based on advice from its underwriters, cancelled this note offering.

The City had intended to use the proceeds of this offering to meet a portion of its seasonal financing needs. The Federal Credit Agreement requires the City to use its best efforts to meet its seasonal financing needs during the 1978 fiscal year without resort to borrowings under the Federal Credit Agreement. After the cancellation of the note sale on December 5, 1977 the Federal government loaned to the City an additional $150 million under the Federal Credit Agreement, and the City plans to meet all of its seasonal financing needs for the balance of the 1978 fiscal year through further borrowings under the Federal Credit Agreement.

For a discussion of the City's cash sources for the 1978 fiscal year, see "Outlook for the 1978 Fiscal Year—Cash Sources" in this PART 7.

The City's Financial Plan

As required by the Emergency Act, in October 1975 the City submitted and the Control Board approved a financial plan for the three fiscal years ending June 30, 1978. The City has, with the approval of the Control Board, modified such financial plan from time to time and may make further material modifications, subject to the approval of the Control Board. (As used herein, the term "Financial Plan" includes the financial plan for the 1976, 1977 and 1978 fiscal years, as modified by the City and approved by the Control Board as of the date hereof.)

In reporting the operating results of the City for the 1976 fiscal year, the City Comptroller reported an estimated Expense Budget deficit of $968 million, which is $83 million less than the deficit projected in the Financial Plan. For the 1977 fiscal year the Comptroller reported an estimated Expense Budget deficit of $329 million, which is $261 million less than the deficit projected in the Financial Plan. For 1976 and 1977, the actual and projected deficits reflect certain accounting treatments permitted by the Act. The most significant of these treatments are accounting for pension costs on a cash basis and including as revenue certain bond proceeds used to fund expense items. For reporting purposes, the Comptroller has made certain adjustments in the City's year-end financial statements, primarily to reflect an estimate of pension costs on an accrual basis and to eliminate the aforesaid bond proceeds as a revenue, which adjustments have the effect of increasing the deficit for the 1977 year to $1.039 billion. The reported deficit for the 1976 fiscal year, if similar adjustments were made, would be $1.87 billion. The City's deficits have been financed by the sources described under "Cash Sources" in this PART 7. The City also has an accumulated deficit for prior fiscal years which has been financed by a variety of sources, including the issuance of debt of the City and the Corporation.
Certain Actions Taken to Date

The City has reported that certain actions providing for reductions in expenditures and increases in revenues have been implemented in the last two years. The City has reported a reduction of employees from approximately 250,000 on December 31, 1974 to approximately 204,000 on September 30, 1977. Other steps taken during the 1976 and 1977 fiscal years include agreements with substantially all of the municipal labor unions with which the City bargains directly, consistent with the assumptions contained in the Financial Plan and with the wage guidelines adopted by the Control Board; an increase in the transit fare; the imposition of general tuition at the City University of New York; certain tax revisions; the passage of State legislation increasing the level of State support for certain court and City University functions currently funded by the City; and certain changes with respect to the personnel who are responsible for the financial operations of the City.

To combat the erosion of the City's economic and tax base in recent years, the City announced in November 1976 a five-year Economic Recovery Program intended to promote a positive business climate and a stronger City economy. As part of this program the City has built into the Expense Budget for the 1978 fiscal year certain tax reductions authorized by law, which consist of a credit against business taxes for manufacturers for the sales tax paid on purchases of machinery and equipment, a 10 percent reduction in the commercial rent tax, a reduction of the real estate tax rate from $8.80 to $8.75 per $100 of assessed value, and the first step of a reduction in the general corporation tax on profits from 10.05 percent, in two steps, to 9.0 percent in 1979. The Economic Recovery Program stated an intent to cap the real estate tax at the new rate for five years and to reduce further certain other business taxes.

In addition, the economic effect of the Stock Transfer Tax on the securities industry is expected to be phased out through rebates and credits against other taxes over four years beginning with the City's 1979 fiscal year. Of the potential annual revenue loss, the City expects the State to reimburse one-half to the City up to a maximum of $120 million per year but no assurance can be given that the State will appropriate money for this purpose. See "PART 3—PROVISIONS FOR PAYMENT OF THE BONDS—Stock Transfer Tax."

The State Comptroller has issued Accounting Systems Directives which set forth accounting principles for the City. The State Comptroller's office has reported that these Directives provide a sound basis for accounting, budgeting and financial reporting for the City which will permit the preparation of meaningful financial statements in accordance with generally accepted accounting principles and will allow for an independent audit. The City has reported that when IFMS is running smoothly, it will enable the City to report its financial operations in accordance with generally accepted accounting principles as well as to meet reporting requirements imposed under applicable State laws and under the City's loan agreement with the Federal Government (the "Federal Credit Agreement"). Under the Federal Credit Agreement the City is required to submit monthly financial plan statements to the United States Treasury (the "Reports to the Treasury").

Of the $1.802 billion of short-term obligations held by the public and the eleven commercial banks that are members of the New York Clearing House Association, Inc. (the "Clearing House Banks") and the City Pension Funds at the time the Moratorium Act was declared unconstitutional, $403 million were exchanged by the public for Second Resolution Bonds of the Corporation, $819 million were exchanged by the Clearing House Banks and the City Pension Funds for Second Resolution Bonds, $530.3 million were repaid by the City as of November 21, 1977 and on that date the City deposited in trust with Manufacturers Hanover Trust Company an amount sufficient to pay the principal of and interest on the $49.7 million principal amount of City notes remaining outstanding. As of December 9, 1977 $25.6 million of such notes remained to be paid from moneys on deposit with Manufacturers Hanover Trust Company. Pursuant to court order interest on such notes will cease to accrue as of December 29, 1977.

Outlook for the 1978 Fiscal Year

Financial Plan

The Financial Plan for the 1978 fiscal year, projects total income equal to total expenditures in the Expense Budget, after adjustments permitted by the Act. In addition, the City has made projections of cash needs as well as projections of cash sources to meet such needs for the 1978 fiscal year, see "Cash Sources" in this Part 7.
The Act authorizes certain adjustments to generally accepted accounting principles in determining the income and expenditures of the City. Among those adjustments, some of which are authorized by amendments to the Act adopted in June 1977, are authorizations for the City to phase out, over a period of ten years beginning with the 1977 fiscal year, its practice of borrowing for certain operating expenditures, and of budgeting its expense for contributions to employee pension plans on a cash rather than an accrual basis. For the 1978 fiscal year, while income may be considered to equal expenditures in the Expense Budget for the purposes of the Act, the City will finance at least $643 million in operating expenses through borrowing or other sources, as discussed below in this subsection. In addition, the Expense Budget reflects expenditures for pension costs which are expected to be less than the accrued pension liability to be incurred during the 1978 fiscal year. Under applicable State law, the City is not required to fund its pension contributions or reflect those contributions in the Expense Budget until two years after the fiscal year in which the pension liability is incurred. The 1978 Expense Budget therefore reflects the City's pension liability for the 1976 fiscal year, which is less than its liability for the 1978 fiscal year, see “Expiration of Plan,” paragraph 5, in this PART 7.

Various reports have been published concerning the Financial Plan for the 1978 fiscal year and the City's prospects for complying with the requirements of the Act in subsequent years. A report issued in June 1977 by the Corporation concluded that the Financial Plan appears to be in compliance with the Act (i.e., that total income equals total expenditures for such fiscal year after adjustments permitted by the Act) within a reasonable margin of error but subject to a number of assumptions and uncertainties. A report issued in June 1977 by the then Executive Director of the Control Board and a report issued in May 1977 by the Special Deputy State Comptroller identified many of the same assumptions and uncertainties identified by the Corporation, which would need to be resolved in accordance with the City's expectations in order for the Financial Plan to be in compliance with the Act. To the extent that the assumptions and uncertainties identified in these reports are not realized or resolved in the way the City anticipates, the City may be required to identify additional sources of revenues or expenditure reductions if the Financial Plan is to achieve its objectives.

On June 24, 1977, the Control Board approved the Financial Plan for 1978, by approving a modification of the City's financial plan then in effect. The modification increased the general reserve by $51 million to cover some of the uncertainties and contingencies which had been identified and remained unresolved at the time of the Control Board's action, see paragraphs 4 and 7, below. Among the significant assumptions and uncertainties in the Financial Plan for the 1978 fiscal year are the following:

1. Certain assumptions, including assumptions with respect to the local and national economy, form the basis of estimates of expenditures and income contained in the Financial Plan. The Financial Plan assumes a stabilizing trend in the local economy after several years of decline and some growth in revenues resulting from economic improvement. From these basic estimates of revenues and expenditures, the City determines the amount of economies which it projects are needed to achieve an Expense Budget for the 1978 fiscal year that complies with the Act.

2. The Financial Plan assumes that the costs of collective bargaining agreements for various periods ending on or prior to June 30, 1978 are consistent with the Financial Plan. The City has reported that it has entered into agreements for such periods with substantially all of the unions with which it bargains directly. Certain of these agreements have been approved by the Control Board; others are still before the Control Board for review and approval. The City reports that the Financial Plan includes amounts sufficient to fund all such agreements.

3. The Financial Plan assumes that certain public authorities or corporations which receive funds from the City will not require funds in excess of aggregate amounts provided for such purposes in the Financial Plan. Some material part of any deficits incurred by these public authorities or corporations has historically been financed by the City. If any such financing is made available for the 1978 fiscal year, material revisions may be required in the Financial Plan.

4. The Financial Plan assumes an increase in the level of State support for the City University of New York ("CUNY") senior colleges. In the City's 1977 fiscal year, the State enacted legislation
which provided the level of State support for 1978 anticipated in the Financial Plan but which required
the City to increase its support for CUNY during its 1977 fiscal year in the same amount so that
the State could reduce its support during the same period. Control Board questions concerning accounting
treatment of the $53.6 million in increased 1978 support were referred to the independent certified
accountants which have been selected to audit the City's financial statements for the 1978 fiscal year.
Such accountants have issued a report recommending that the increased support be accounted for as
accrued revenues in the 1977 fiscal year, and the City Comptroller has so accounted for these revenues,
thus reducing anticipated 1978 revenues by such amount. The City has submitted to the Control Board
a modification for the 1978 fiscal year to reflect the recommendation of such accountants, see "Pending
Modifications," in this Part 7.

5. The Financial Plan assumes favorable determinations in two lawsuits pending against the City
seeking to rescind past purchases and to enjoin future purchases of obligations of the City or the Corpora-
tion by Teachers' Retirement System Pension Fund and seeking to recover damages in connection with
such purchases. An adverse determination in either lawsuit would be likely to result in successful
challenges to similar purchases by other City Pension Funds.

The City is a party to numerous proceedings challenging the legality, amount and inequality of
assessments of real property for real estate tax purposes. Recent court decisions have reduced the
evidentiary burden of taxpayers challenging unequal real property assessments. Under these cases a
taxpayer may use the equalization rate fixed by the State Board of Equalization and Assessment as the
basis of determining the ratio of assessed value to full value. It is not known what impact, if any, these
decisions will have on the amount of revenue derived by the City from the real property tax.

6. The Financial Plan assumes that the State Legislature, in adopting the budget for the State's 1979
fiscal year, will approve a substantially increased level of Per Capita Aid to be paid to the City in the
last quarter of the City's 1978 fiscal year, representing the full amount authorized by the formula
contained in existing State law, without any changes in such formula and without imposing a ceiling.
The State Legislature, in adopting the budget for the State's 1978 fiscal year, imposed a one-year ceiling
on Per Capita Aid payments at the previous year's level, but refused the Governor's request to extend
this ceiling through the State's 1979 fiscal year. Should the State Legislature subsequently extend the
ceiling at the current level, it would cause a $66 million shortfall of revenues in the Financial Plan for the
1978 fiscal year.

7. The Financial Plan assumes a saving of approximately $241 million in the 1978 fiscal year which
the City expected to realize from the adjustment of maturities of $1.67 billion principal amount of bonds of
the Corporation held by the Clearing House Banks, the City Pension Funds and the City Sinking Funds
when the Expense Budget was adopted. In September 1977, the Clearing House Banks and the Pension
Funds did exchange $1.55 billion principal amount of such bonds for an equal principal amount of newly
issued bonds of the Corporation. Although the actual exchange differed from the exchange contemplated
when the City's Expense Budget was adopted, the City estimates that such exchange and certain changes
in City debt service will result in a net "savings" equal to or greater than the amount assumed in the
Financial Plan. However, the Control Board directed that questions concerning the proper allocation of
these "savings" between the 1977 and 1978 City fiscal years be referred to the independent certified
public accountants who have been selected to audit the City's financial statements for the 1978 City
city year. The report of such accountants recommends that a portion of such "savings" should be
accounted for as accrued revenues in the 1977 fiscal year, and thus should not be available to be reflected
in the Financial Plan for the 1978 fiscal year. The amount of such revenues has been estimated by the
Mayor, after consultation with such accountants, to be approximately $43 million. The City has submitted
to the Control Board a modification for the 1978 fiscal year to reflect the recommendation of such
accountants, see "Pending Modifications" in this Part 7.

8. The Financial Plan assumes receipt of Federal funds from a number of sources. These include
approximately $150 million in counter-cyclical revenue sharing funds. As of December 9, 1977 the City
had received $71 million of counter-cyclical assistance. The amounts to be received during the remainder
of the 1978 fiscal year depend on quarterly allocations based on future unemployment rates. The City
currently estimates that the total counter-cyclical assistance will amount to $140 million in the 1978 fiscal year, which is reflected in a modification submitted to the Control Board. There is no assurance at this time that the City will receive such additional assistance in the amount and form it has anticipated. In addition, the City anticipates net receipt of $80 million from the conveyance to the State of the right-of-way for an interstate highway to be constructed on the site of the West Side Highway (“Westway”). The Westway project is subject to certain legal challenges and other uncertainties arising, in part, out of adverse environmental findings respecting the project. Accordingly, no assurance can be given that the conveyance of the right-of-way for the Westway will be effected or that the project will be completed as scheduled. It has been reported that Edward I. Koch, the Mayor-elect, has expressed opposition to the Westway project and has appealed to State and Federal officials to reject permit requests for the construction of the project. The Governor and the Mayor-elect have named a three-man panel to study the economic effects of exchanging Federal money to be used for the Westway project for funds to improve mass transit in the City. Postponement or abandonment of the Westway project could reduce the City’s projected revenues by approximately $80 million in the 1978 fiscal year.

9. The Financial Plan assumes that the reserves included therein (at present consisting of $151 million as a general reserve and $125 million as a reserve for State and Federal disallowances) will be sufficient to cover any shortfalls in estimated revenues or expenditures in excess of budgeted amounts and to cover any claims and grants received from the State and Federal governments during the 1978 fiscal year which are later disallowed. The Financial Plan also assumes that the approximately $309 million remaining in the reserve for State and Federal disallowances for the 1977 and preceding fiscal years as of June 30, 1977 will be sufficient to cover any such disallowances attributable to such years which occur during the 1978 fiscal year. The $309 million reserve has been reduced by disallowances of $22 million as of December 13, 1977.

10. The Financial Plan assumes that in the event judgments and claims resulting from suits alleging breaches of contracts with respect to certain capital projects which have been curtailed or discontinued, together with other judgments and claims, exceed the reserve for judgments and claims of $77 million for the 1978 fiscal year, the City will be able to realize sufficient funds to pay such judgments and claims without any material budgetary impact.

The City is also required over a 10-year period beginning with the 1977 fiscal year to eliminate from its Capital Budget those expense items properly included only in its Expense Budget, as determined in accordance with an Accounting Systems Directive of the State Comptroller. The Office of the State Comptroller has informed the Corporation that its preliminary estimate of the amount of expense items funded by capital borrowing in the 1976 fiscal year is approximately $906 million, and that the Financial Plan includes $643 million of such items in the Capital Budget for the 1978 fiscal year. The latter amount is $81 million below the ceiling provided in the Act for such year, based on the State Comptroller’s estimate for the 1976 base year. The Office of the State Comptroller has further reported that the City appears to be complying or to have complied with the intent of the Act with respect to capitalized expenses for both the 1977 and 1978 fiscal years. The Corporation has reported a similar finding with respect to the City’s compliance with the Act in this regard.

Pending Modifications

The City has submitted to the Control Board two modifications for the 1978 fiscal year which have not yet been approved. The primary effects of the pending modifications are as follows:

1. The general reserve is reduced to $141 million. The net reduction of $10 million reflects (a) the determinations referred to in paragraphs 4 and 7 above, that estimated revenues for the 1978 fiscal year be decreased by $54 million and $43 million, respectively; (b) a recommendation by the City’s auditors that estimated revenues be increased by $66 million anticipated by the City to be received from the New York City Educational Construction Fund as a result of an anticipated bond sale by the Fund (this amount had been reflected as expected cash inflow but not as revenue); and (c) changes in estimates of revenues and expenditures having a net beneficial effect on the Expense Budget. The bonds to be sold by the Educational Construction Fund are expected to be secured, at least in part, by the income under an
executory contract of sale relating to certain facilities of the New York Telephone Company. The availability of the Educational Construction Fund revenues to the City is dependent, in part, upon agreement among the Fund, the Telephone Company and other parties as to the terms, conditions and security of the bonds. The issuance of the bonds is subject to the execution of various agreements related to the transactions which are subject to the review and approval of the Control Board.

2. A total of approximately $68 million of real estate taxes levied for debt service (outside the constitutional tax limit for operating purposes) is to be used to pay a portion of interest accrued during the 1977 and 1978 fiscal years on bond anticipation notes of the City which are held by the Corporation. The Special Deputy State Comptroller has stated that such use of these real estate taxes to pay interest to the Corporation raises serious legal questions because, as a consequence of such payment, the City will receive additional revenues which it may then apply to operating purposes. The Special Deputy State Comptroller has suggested that these questions be referred to the State Attorney General prior to any action by the Control Board on the proposed Financial Plan modification. The City's Corporation Counsel has rendered an opinion that the proposed payment is not prohibited by law. To the extent the City is unable to make this payment, real estate tax revenues received in the 1978 fiscal year would have to be used for the payment of debt service in future years and revenues for the 1978 fiscal year would be decreased. For the 1977 fiscal year accrued interest on all bond anticipation notes held by the Corporation amounted to approximately $44 million. For the 1978 fiscal year the Corporation estimates accrued interest of approximately $61 million as of June 30, 1978.

Cash Sources

To provide the cash necessary to cover operating expenses and to fund capital improvements through the 1978 fiscal year as well as other cash needs of the City, the City has prepared cash flow projections which identify the following cash sources and uses, among others:

1. The October 1977 Report to the Treasury projects a closing cash balance on June 30, 1978 of $287 million. This compares with its actual cash balance at the end of the 1977 fiscal year of $478 million. Such projection of the City's cash balance at the end of the 1978 fiscal year is subject to numerous contingencies and uncertainties, many of which are not within the control of the City or the Corporation, and which may include unanticipated expenditure increases and revenue shortfalls.

One significant uncertainty relates to the amount which the City will realize from the sale of bonds secured by certain mortgages initially financed by the City, or by the direct sale of such mortgages, after such mortgages have been insured by the Federal Housing Administration. The City currently estimates that by June 30, 1978, $280 million in net proceeds will have been realized from the sale of or issuance of bonds secured by such mortgages. The City has reported that as of December 9, 1977 a total of $143 million in FHA-insured mortgages had been created of which $21 million had been sold directly in the secondary mortgage market and $122 million had been used to secure an equal amount of bonds of the Housing Development Corporation. These $143 million of insured mortgages have generated approximately $116 million in net proceeds of which $84 million was transferred to the City under applicable State law in November 1977. The City estimates that an additional $159 million of mortgage insurance applications already submitted to FHA would generate an additional $114 million in net proceeds to the City. The City also expects to refinance additional projects which would generate at least another $50 million in net proceeds. The City's current estimate of $280 million in such proceeds represents a reduction from its previous estimates (through July 1977) of $410 million. This reduction results largely from difficulties the City has experienced in obtaining the agreement of certain mortgagors, primarily tenant-cooperatives, to participate in the refinancing program. The ability of the City to obtain FHA insurance in amounts sufficient to realize the projected proceeds in a timely manner depends on many factors which are not within the City's control. They include the willingness of housing companies to refinance, which may depend on various business and tax considerations in the case of rental properties and various other factors in the case of cooperatives, and FHA's determination of the value of City mortgages presented for FHA consideration. Accordingly, no assurance can be given that the City will realize the projected proceeds in a timely manner.
Another uncertainty relates to the inclusion of a reserve of $125 million for possible future disallowances of claims for Federal and State aid under medicaid, public assistance and similar programs for each fiscal year covered by the Financial Plan. The amount of such aid disallowed during 1976 and 1977 attributable to prior years amounted to $101 million and $124 million, respectively. The City estimates that its net accumulated provision for disallowances of Federal, State and other aid claims as of June 30, 1977 for the 1977 and prior fiscal years was approximately $309 million, which has since been reduced by $22 million reflecting disallowances attributable to such years. The City forecasts that disallowances of such aid claims will amount to a total of $125 million for the 1978 fiscal year. Past practice of the Federal and State agencies has been to deduct the disallowances finally determined from aid reimbursement payments. While it may be legally possible for massive disallowances of aid claims to be asserted, the City believes, based on past administrative and legislative actions, that it is extremely unlikely for disallowances on this scale to occur, and the City's reserves do not contemplate such disallowances. The reserve also does not include any provision for disallowances relating to the issuance of vendor restricted checks although the City (along with other jurisdictions) has in the past issued substantial amounts of such checks in excess of the permitted limit. Recent federal legislation includes a "forgiveness" provision which substantially eliminates the City's exposure to potential Federal penalties in connection with the issuance of vendor restricted checks.

To the extent of any shortfall in any other cash sources projected to be available in the October 1977 Report to the Treasury, the City's closing cash balance on June 30, 1978 could be adversely affected. Consequently, further issuances of obligations of the City or the Corporation, subject to the limitations of the Act and the First and Second General Bond Resolutions, may become necessary during the 1978 fiscal year to provide the City with required cash sources. Such further issuances may require the enactment of State legislation.

2. Pursuant to an agreement executed in November 1975 (the "Amended and Restated Agreement"), the City Pension Funds agreed to purchase an aggregate of $2.53 billion of bonds of the City or the Corporation through the 1978 fiscal year. The Pension Funds have also agreed to apply all principal amortization payments received prior to June 30, 1978 on bonds purchased pursuant to the Amended and Restated Agreement to the purchase of additional bonds (amounting to $374 million). In June 1977 agreement was reached among the City, the Corporation and the Pension Funds to reduce the amount of City bonds which the Pension Funds are committed to purchase by $250 million. As of June 30, 1977, $1.918 billion in the aggregate of City bonds had been purchased by the Pension Funds pursuant to such Agreement, including re-investments. Therefore, the Pension Funds are committed to purchase a total of $736 million of City bonds during the 1978 fiscal year, of which approximately $54 million have been purchased to date. This commitment was restated in the First Amendment to the Amended and Restated Agreement, executed August 17, 1977. In addition, pursuant to the Amended and Restated Agreement and First Amendment thereto, various Sinking Funds have purchased $248 million in the aggregate of City bonds, including principal re-investments, as of June 30, 1977, and are expected to purchase an additional $110 million of City bonds during the 1978 fiscal year.

One uncertainty respecting the projected Pension Fund purchases arises from the fact that the City will be engaged in collective bargaining negotiations with most of its municipal employee unions in the course of the remainder of the 1978 fiscal year. In the course of previous collective bargaining negotiations and on other previous occasions from time to time certain municipal union leaders and their representatives have stated that they may request the Pension Funds to refuse to make further purchases of such bonds.

Another uncertainty respecting the projected Pension Fund purchases arises from the fact that the City's bond counsel has questioned whether bonds can be sold to finance certain capitalized expenses. The City has indicated that alternative sources of bonding authority appear to be available to permit these Pension Fund purchases during the 1978 fiscal year. However, the inability to fund such expenses with bond proceeds in the 1979 or subsequent fiscal years could have a material adverse impact on the City's cash flow in such years, see "Expiration of Plan", paragraph 1, in this Part 7. The City is currently exploring alternative sources of bonding authority, which may require State legislation.
In addition, in actions currently pending, certain retired City teachers seek to enjoin further investments by the Teacher's Retirement System in obligations of the City, to rescind previous purchases and to recover damages for losses sustained in connection with such purchases. Trial of one of the actions was completed in June 1977, and the matter is awaiting decision by the Court. In the other action the District Court denied plaintiff's motion for a preliminary injunction and granted defendants' motions to dismiss the complaint. Plaintiff in this action has appealed to the Court of Appeals for the Second Circuit.

3. Pursuant to Federal legislation, the Federal Credit Agreement among the City, the State, the Control Board and the Federal Government, dated December 30, 1975, authorizes the Secretary of the Treasury to lend the City up to $1.3 billion at any time in the City's 1976 fiscal year and up to $2.3 billion at any time in the City's 1977 and 1978 fiscal years. Such amounts are payable on demand, and in any event, by the expiration of the fiscal year of the City in which the amounts are borrowed. There are several conditions to the making of any Federal loan, including the condition that the Secretary of the Treasury determine that there is a reasonable prospect of repayment in accordance with the terms of the loan. In the City's 1976 fiscal year, the City borrowed $1.26 billion under the Federal Credit Agreement, which amount was repaid in full by June 30, 1976. In the City's 1977 fiscal year, the City borrowed a total of $2.1 billion under the Federal Credit Agreement, which amount was repaid in full by June 30, 1977.

The October 1977 Report to the Treasury projects $2.05 billion in seasonal borrowing during the 1978 fiscal year. On December 5, 1977, the City borrowed $150 million from the United States Treasury pursuant to the Federal Credit Agreement, bringing the total borrowed for the 1978 fiscal year to $1.625 billion.

4. In the last quarter of the City's 1976 fiscal year, the State advanced $800 million of education, public assistance and other aid funds to the City which would otherwise have been paid in the City's 1977 fiscal year. During the first three quarters of the City's 1977 fiscal year the State withheld amounts equal to such advance. In the last quarter of the City's 1977 fiscal year, the State made a similar advance of $800 million. There is no assurance that the State can or will renew an advance in such amount in the future although the City's cash projections assume that such advances will be made in the City's 1978 fiscal year.

Expiration of Plan

The Financial Plan currently covers the three fiscal years of the City ending with the 1978 fiscal year. In 1979 and subsequent fiscal years, the City will face substantial difficulties in complying with the requirements of the Act. A number of estimates of the magnitude of the City's potential difficulties in balancing its revenues and expenditures have been made; to date, the City has not developed or implemented definitive plans to deal with these difficulties. Moreover, the cash sources referred to above are projected to supply the City with cash only through the 1978 fiscal year.

In addition to the budgetary and financing difficulties the City will face in subsequent years, it will also face many of the long-range financial and economic problems potentially facing the State. For a discussion of such problems, see "Part 6—Certain Developments Affecting the State—Long-Term Trends."

Future Budgetary Difficulties

In 1979 and subsequent fiscal years, as in 1978, the City is required by the Act to adopt Expense Budgets in which revenues equal or exceed expenditures, after certain permitted adjustments are made. The City has made a number of projections of revenues and expenditures in future years, which have indicated the existence of a gap between revenues currently anticipated to be available in such years and expenditures currently anticipated to be required. To comply with the Act, the City will be required to adopt Expense Budgets for such years in which the gap between revenues and expenditures is closed, either by obtaining additional revenues or reducing expenditures or both.
In the Budget Message which accompanied the City’s Executive Budget for the 1978 fiscal year (the “Budget Message”), the City projected potential gaps between revenues and expenditures ranging from $86 million in the 1979 fiscal year to $373 million in the 1981 fiscal year, and stated that there were many inponderables which could increase or decrease these figures. On November 21, 1977 the City submitted to the Control Board a financial plan for the 1979 fiscal year which projected an excess of expenditures over revenues of $249 million. The City is reported to be developing revised projections for the 1979 and subsequent fiscal years, which are reported to show potential gaps between revenues and expenditures which are greater than those projected in the Budget Message or the 1979 financial plan.

Reports by the Corporation, the Special Deputy State Comptroller and the Executive Director of the Control Board have also indicated substantial potential gaps between revenues and expenditures in the 1979 and subsequent fiscal years.

All budgetary projections made after the submission of the Budget Message, including the City’s own projections in the 1979 Financial Plan, have shown a budget gap in excess of the gap contained in the Budget Message. A significant portion of the increase in the gap arises from the fact that the projections in the Budget Message assumed that the Clearing House Banks, the Pension Funds and the Sinking Funds holding an aggregate of approximately $1.671 billion of the Corporation’s bonds would agree to exchange such bonds for bonds having longer maturities and deferred amortization without any increase in the 6% interest rate and that all publicly held bonds of the Corporation coming due in the 1979 fiscal year would be refunded by the Corporation through the public sale of its bonds. With respect to the first assumption, the Clearing House Banks and City Pension Funds (but not the Sinking Funds, which hold $121 million of such bonds) did agree to exchange their bonds in an aggregate principal amount of $1.55 billion for bonds with longer maturities than had been assumed by the City but at a 7½% interest rate. For the 1979 fiscal year the exchange results in a net debt service reduction over previous contractual obligations, although somewhat less of a reduction than had been estimated by the City. With respect to the second assumption, the Corporation has determined to refund certain of its bonds coming due in 1979, including the 1975 Series B Bonds, subject to market conditions, but has determined that it is not appropriate to develop a program in which no principal payments are required to be made in fiscal 1979. The City’s 1979 financial plan and the review by the Special Deputy State Comptroller reflect the correction of the City’s earlier assumption on refunding, which accounts for a substantial portion of the increase in the estimated gap between revenues and expenditures.

The difficulties which the City must address for the period after the 1978 fiscal year include the following:

1. The Financial Plan for the 1978 fiscal year includes a number of savings and revenues which may not be available in future years.

2. The City is required by the Act to continue to phase out the practice of borrowing for operating expenses in its Capital Budget. In order to comply with such requirement, the City will have to eliminate borrowing for an average of approximately $80 million to $90 million of such items each fiscal year. In addition, the Secretary of the Treasury, the Chairman of the Corporation and others have expressed the view that the City should accelerate the timetable for phasing out its borrowing for operating expenses, which would increase the amount of borrowing to be eliminated in each of the next several years.

3. Many collective bargaining agreements between the City and its employees will expire at the end of the 1978 fiscal year, and wage increases deferred during the period of the wage freeze which is scheduled to end upon the expiration of the “emergency period” (as defined below in “PART 9—VARIOUS CONTROL PROGRAMS—Control Board”) may come due. In June 1977 the then Executive Director of the Control Board reported that the City’s own projections of its revenues and expenditures, which show potential deficits in the years following the 1978 fiscal year, assume no increased City funding for cost-of-living adjustments, previous wage deferrals or other wage increases or adjustments. He further stated that a minimum adjustment of wages would add substantial costs to the City for the period following the expiration of the Financial Plan. Labor spokesmen are reported to have stated that municipal unions
would not be satisfied to receive only cost-of-living increases in the contracts for the period following the 1978 fiscal year.

4. The City will face increasing costs for contributions to its employee pension funds, particularly with the recent enactment of certain pension reform legislation which will phase in over the next five years a new and more costly basis for calculating actuarially sound pension contributions for four of the City's five major retirement systems and which will require amortizing over 40 years the City's unfunded accrued pension liability, which the City has estimated to be in excess of $9 billion. In addition, since current State law authorizes a 2-year delay in the budgeting and actual payment of the City's accrued pension liability for any given year, any effort by the City to control expenditures in future years by limiting the size of its work force or pay scales will not be reflected in lower pension contributions until two years thereafter.

5. The City will face in future years the effects of inflation, the question of whether further tax reductions or modifications are required to stimulate economic development, and spending needs, including capital spending, which have been deferred for the past several years or which may be asserted in the future. Such additional spending needs may include the needs of public authorities or corporations, such as the Transit Authority and the Health and Hospitals Corporation, which receive City funds but which are not directly under the control of the City. In addition, longer range financial and economic problems will have an impact on the City's budget.

6. The City will also face in future years the uncertainties of State and Federal policies. Among these uncertainties are the enactment or extension of, and the amount of appropriations for, major sources of present or potential revenue for the City such as Federal counter-cyclical revenue sharing, Comprehensive Employment Training Act programs, and welfare reform proposals. In addition, the City is affected by other social and economic policies established by the State and Federal governments, such as eligibility requirements for public and medical assistance, civil rights and environmental protection regulations, and other mandated costs and practices.

7. The Corporation believes that the City, in preparing proposals to deal with future budgetary difficulties, will request and rely on assistance of various kinds from the State and Federal governments in addition to the assistance currently provided by such governments. In addition, the Corporation believes that further reductions in the current level of City operations will be required to achieve balanced City budgets in the future. No assurance can be given that City, State or Federal governments can or will take such steps.

**Future Cash Sources**

The cash sources referred to in "OUTLOOK FOR THE 1978 FISCAL YEAR", above are projected to supply the City with cash only through the 1978 fiscal year. None of these financing sources provides for any cash after the conclusion of such fiscal year and extensions of the arrangements for such sources will have to be made or alternative sources will have to be found to meet the cash needs of the City after such fiscal year. By the end of the fiscal year the Federal government, which provides seasonal financing for the City pursuant to the Federal Credit Agreement, and the New York City Pension Funds, which provide financing for the City's capital purposes pursuant to the Amended and Restated Agreement, will have no further obligation to provide such financing. The Corporation, which has provided financing to the City in the past, has at present insufficient debt-incurred authority to fulfill the financing role of either the Federal government or the Pension Funds.

An additional source of cash to meet the City's needs after the 1978 fiscal year may be the issuance of notes or bonds of the City. However, because of the uncertainty of a market for the City's notes or bonds, questions raised by the City's bond counsel as discussed above under "Cash Sources" in this PART 7, and other factors, there is no assurance that the City will be able to issue such notes or bonds in amounts sufficient and at the times necessary to provide the cash for its needs immediately following the expiration of the Financial Plan. Representatives of the Clearing House Banks have stated that in their view the market will require long-term financial controls to be installed before the City will be able to market long-term bonds to the public. No agreement has been reached as to the need for or the types of such controls.

Various proposals have been made which, if implemented, would provide cash sources to the City.
In order to provide the City with further financial assistance to meet its anticipated needs over the next several years, the Corporation has proposed State legislation to increase the amount of bonds and notes it is authorized to issue from the present level of $5.8 billion to approximately $8.8 billion. Under the proposed State legislation, the Corporation would be permitted to issue obligations for the following purposes in addition to the purposes set forth in the Act at present: (i) funding of capital items, and capitalized expenses permitted by the Act to be contained in the City’s capital budget, (ii) funding of a State advance to the City, and (iii) acquiring, by exchange or by purchase with the proceeds of sale of the Corporation’s bonds, outstanding City bonds.

The Chairman of the Corporation has proposed a comprehensive financing plan to meet the City’s needs, which plan would include the proposed increase in the Corporation’s authorization, together with long-term Federal assistance for the benefit of the City which would require the passage of new Federal legislation by the Congress. Under this plan, the Corporation would for three years issue its obligations, to the extent required, for all of the purposes set forth above, except the capital items. Over the same three-year period the Federal government would phase out its seasonal financing while phasing in long-term financing of the City’s capital items; at the end of the three-year period the Federal government would have acquired $2.5 billion long-term bonds of the City or the Corporation issued to finance the City’s capital items and would have no further seasonal financing obligation. The plan proposed by the Chairman calls for an acceleration of the timetable for elimination of the capitalized expenses from the Expense Budget. The plan assumes that this acceleration, together with the bonding out of the State advance and the continuation by the City of preparation and maintenance of balanced budgets, will enable the City to reenter the public securities markets on an increasing basis.

It has been reported that the Secretary of the Treasury and the Chairman of the Banking, Housing and Urban Affairs Committee of the United States Senate, among others, have stated that it is unlikely that the Federal government will continue the seasonal loan program after June 30, 1978 unless the City presents a four-year plan which includes a showing that at the end of the period the City’s budget will be and will remain balanced in accordance with generally accepted accounting principles, that the City will have in place a credible mechanism to assure the continuation of balanced budgets, and that the City will be able to meet its own credit requirements without further Federal assistance. There can be no assurance that such a plan will be devised or that the seasonal loan program will be extended. Furthermore, the Chairman of the Corporation has stated that, in his judgment, the seasonal loan program, alone, is merely a temporary measure, and that long-term financing assistance by the Federal government is important to facilitate the City’s re-entry into the public credit markets. In public statements and in the course of public hearings the Secretary of the Treasury and the Chairman of the Senate Banking, Housing and Urban Affairs Committee have indicated that they do not believe Congress will agree to such loans.

Federal Bankruptcy and State Stay Legislation

Recently enacted Federal and State statutes provide for certain remedies if the City’s cash sources are insufficient to meet the City’s obligations.

An amendment to the Federal Bankruptcy Act (“Chapter 9”) permits any State political subdivision or agency to file a petition for relief under its provisions if the subdivision or agency is authorized to do so by State law. Both the City and the Control Board (on behalf of the City) are so authorized, and either could file such a petition if the City were (a) insolvent or unable to meet its debts as they mature, (b) desirous of effecting a plan to adjust its debts, and (c) able to meet the other prerequisites for filing a Chapter 9 petition with respect to negotiations between the City and its creditors and other matters. Any plan to adjust the City’s debts would become effective only upon Court approval, after the requisite approval by creditors of the City had been obtained.

Title 6-A of the Local Finance Law (“Title 6-A”), like Chapter 9, permits adjustment or modification of City obligations if the City is unable to pay its debts or obligations as they mature. Title 6-A permits the City or the Control Board to file a petition in State court which would operate to stay any action to enforce any City obligation for at least 90 days and to file with the court a repayment plan. The Court may approve such repayment plan if it meets certain standards, including providing for repayment to creditors “on a fair and equitable basis, as is practicable in the circumstances.” Creditors who do not accept such repayment plan would not be bound by its terms. The validity of Title 6-A has not yet been determined by the Courts.
The filing of such a Chapter 9 or Title 6-A petition would cause a failure of a condition to the obligation of the City Pension Funds to purchase bonds of the City or the Corporation and could cause the Secretary of the Treasury to refuse to make any additional loans and to demand payment of outstanding loans to the City under the Federal Credit Agreement.

Although the filing of either such petition might have a general adverse effect on the economic health of the City, the Corporation believes that such a filing would not have a materially adverse effect on the Corporation's ability to repay its obligations, including the 1978 Series JJ Bonds. The filing of such a petition, like other financial developments with respect to the City, might affect the market for the 1978 Series JJ Bonds.

PART 8—MANAGEMENT

Under the Act, the Corporation is administered by a Board of Directors (the "Board"), consisting of nine directors. All of the directors are appointed by the Governor with the advice and consent of the State Senate; four of the directors are appointed upon written recommendation of the Mayor. The Act also provides for the appointment of representatives to the Board (the "Representatives") by certain State or City officials or bodies politic. The Representatives are entitled to receive notice of and to attend all meetings of the Board but are not entitled to vote. In addition, the State Comptroller or his representative is entitled to attend and participate in the meetings of the Board but is not entitled to vote.

The Act provides that no director (and no Representative) may be an officer or employee of the Federal government or of the State or of any political subdivision thereof.

The present members of the Board and the Representatives of the Corporation, and the expiration dates of their respective terms of office are as follows:

**Directors**

- **Felix G. Rohatyn, Chairman**
- Francis J. Barry(1)
- George M. Brooker(1)
- Thomas A. Coleman(1)
- Thomas D. Flynn
- George D. Gould(1)
- Dick Netzer
- Richard Ravitch(2)
- Robert C. Weaver

**Representatives(3)**

- Zane Klein
- Edward M. Kresky(4)
- Lawrence Marchini
- Leonard Nadel
- Nicholas L. Pitro
- Robert W. Seavey
- Sanford I. Weill(4)

Expiration of Term

- December 31, 1979
- December 31, 1979
- December 31, 1977
- December 31, 1980
- December 31, 1977
- December 31, 1978
- December 31, 1979
- December 31, 1979
- December 31, 1980

Appointed by the City Board of Estimate

Appointed by the President Pro-Tem of the State Senate

Appointed by the Minority Leader of the State Assembly

Appointed by the Speaker of the State Assembly

Appointed by the Vice-Chairman of the City Council

Appointed by the Minority Leader of the State Senate

Designated representative of the State Comptroller

Eugene Keill is the Executive Director of the Corporation.

(1) Appointed upon the written recommendation of the Mayor.

(2) Mr. Ravitch has been nominated by the Governor, subject to the advice and consent of the State Senate.

(3) Each Representative serves at the pleasure of the appointing official or body, is eligible for reappointment and holds office until his successor has been appointed.

(4) Wertheim & Co., Inc. and Shearson Hayden Stone, Inc., with which Messrs. Kresky and Weill, respectively, are affiliated, may act as underwriters in connection with the sale of the 1978 Series JJ Bonds.

**FELIX G. ROHATYN, Chairman.** Mr. Rohatyn is a General Partner of Lazard Frères & Co., investment bankers. He is a former Governor of the New York Stock Exchange, Inc., and is a director of Eastern Air Lines, Inc., Engelhard Minerals & Chemicals Corporation, Howmet Turbine Components Corporation, International Telephone & Telegraph Corporation, Owens-Illinois, Inc. and Pfizer Inc. He is a member of
the Finance Committee of the Rockefeller Brothers Fund, Inc. He is also a trustee of Middlebury College. Mr. Rohatyn, 49, is a resident of New York City.

FRANCIS J. BARRY. Mr. Barry is President of Circle Line-Sightseeing Yachts, Inc. and other of its affiliated companies. He is the Chairman of the New York City Council on Port Promotion and Development, of which he has been a member since 1962. From 1967 to date, he has served as an arbitrator for the United Marine Division of Local 333 I.L.A. of the AFL-CIO. He is a member of the Advisory Committee to the New York City Convention and Exhibition Corporation. He is a member of the Control Board. Mr. Barry, 71, is a resident of New York City.

GEORGE M. BROOKER. Mr. Brooker has been a principal stockholder and Secretary-Treasurer of Webb & Brooker, Inc., a real estate management and brokerage firm, since 1969. He is Vice-President of the Greater New York Institute of Real Estate Management. He is former Chairman of the Board of Directors of the New York Urban League. He is a director of the DuBois Memorial Foundation, a member of the Board of Governors of the Real Estate Board of New York and the Realty Advisory Board of New York. He is also a member of the Board of Governors of the Carver Democratic Club of New York City. He is a member of the Management Council, National Center Housing Management of Washington, D. C. and a director of the Realty Foundation of New York. Mr. Brooker, 51, is a resident of New York City.

THOMAS A. COLEMAN. Mr. Coleman is a Senior Partner of Adler, Coleman & Co. and a member of the New York Stock Exchange, Inc. He is a member of the Board of Directors of the New York Stock Exchange, Inc. and a Trustee of East River Savings Bank. He is Vice-Chairman of the Board of Trustees of the New York Fire Department Honor Emergency Fund and serves as a Trustee of St. Vincent's Hospital and Medical Center of New York City. He is also a Trustee of St. Patrick's Cathedral of New York City and Catholic Charities. He is a member of the Temporary Commission on City Finances. Mr. Coleman, 42, is a resident of New York City.

THOMAS D. FLYNN. Mr. Flynn was, until October 1975, a partner in Arthur Young & Company, an international accounting firm, and Vice-Chairman of its Management Committee. He served as President of the American Institute of Certified Public Accountants ("AICPA") for the year 1964-1965. In 1970, he was the recipient of an AICPA Gold Medal Award for Distinguished Service to the Accounting Profession, the highest honor awarded by the AICPA. He is a Trustee of Columbia University. He is Director Emeritus of the National Bureau of Economic Research, Inc. He is also a Trustee of American Savings Bank. He is a member of the Board of Directors of Household Finance Corporation, and Chairman of its Audit Committee. Mr. Flynn, 64, is a resident of Sands Point, Long Island.

GEORGE D. GOULD. Mr. Gould is President and Chief Executive Officer of The Madison Fund, Inc., a closed-end investment company. Until 1976, Mr. Gould was Vice-Chairman of the Board of Directors of Donaldson, Lufkin & Jenrette, Inc., and Chairman of the Board of Directors and Chief Executive Officer of Donaldson, Lufkin & Jenrette Securities Corporation, a member of the New York Stock Exchange, Inc. He is also a Director of First National Stores, Inc. and International Controls Corporation. In addition, Mr. Gould is Chairman of the following State agencies: Housing Finance Agency, Medical Care Facilities Agency, Project Finance Agency and Municipal Bond Bank Agency. He is a director of the State Mortgage Agency. Mr. Gould, 50, is a resident of New York City.

DICK NETZER. Mr. Netzer has been Dean of the Graduate School of Public Administration of New York University since 1969. From 1964 through 1966, he was research director of the Temporary Commission on City Finances. He is a nationally recognized expert in the areas of state and local government finance and urban economics and he has published extensively in each of those areas. Mr. Netzer, 49, is a resident of New York City.

RICHARD RAVITCH. Mr. Ravitch is Chairman of HRH Equity Corporation, a real estate and venture capital firm. From April 1975 to March 1977, he was Chairman of the New York State Urban Development Corporation. He is a Trustee of Bowery Savings Bank, Teachers College, Columbia University and Central Synagogue. He is President of the Jewish Community relations Council of New York and a director of various religious and philanthropic organizations. Mr. Ravitch, 44, is a resident of New York City.
ROBERT C. WEAVER. Dr. Weaver has been Distinguished Professor of Urban Affairs at Hunter College since 1970. From 1966 through 1968, he was Secretary of the United States Department of Housing and Urban Development and from 1968 through 1970 was President of Bernard M. Baruch College. He is a trustee of the Metropolitan Life Insurance Co. and the Bowery Savings Bank, and is a former Chairman of the National Association for the Advancement of Colored People. Dr. Weaver, 70, is a resident of New York City.

ZANE KLEIN, Representative. Mr. Klein has been a member of the law firm of Berlack, Israels & Liberman, New York, New York, since 1968. He is a member of the City Comptroller's Technical Debt Management Committee and a member of the Advisory Committee to the City Office of Telecommunications. He has also served on advisory panels with respect to equity and real estate investments of the employee pension systems of the City and is active in civic and community affairs. Mr. Klein, 40, is a resident of New York City.

EDWARD M. KRESKY, Representative. Mr. Kresky is a General Partner of Wertheim & Co., investment bankers. He has been with Wertheim since 1971. From 1965 through 1971, he served as Secretary to the Metropolitan Transportation Authority of New York State. He is a member of the Boards of Security Mutual Life Insurance Company of New York and the New York State Council on the Arts and of the Council of the National Municipal League. From 1972 to 1973 he was a member of the Governor's Task Force on Financing Higher Education in New York State. Mr. Kresky serves as an observer to the Control Board. Mr. Kresky, 53, is a resident of New York City.

LAWRENCE MARCHINI, Representative. Mr. Marchini is President of the Century National Bank in New York City, and has held that position since 1964. In addition, he served as a Commissioner of the State Insurance Fund of the State of New York from 1967 to 1977. Mr. Marchini, 64, is a resident of Manhasset, Long Island.

LEONARD NADEL, Representative. Mr. Nadel is Senior Vice President of Abraham & Straus, a division of Federated Department Stores, Inc. He is Chairman of the Board of Trustees of Adelphi University, a Trustee of Long Island Jewish Hillside Medical Center, Vice-Chairman of the Downtown Brooklyn Development Association and he was President of the Brooklyn Chamber of Commerce. Mr. Nadel, 56, is a resident of Roslyn, New York.

NICHOLAS L. PITARO, Representative. Mr. Pitaro is a member of the law firm of Liggio & Pitaro, New York, New York. He has served as counsel to the Public Service Committee of the New York State Assembly, as assistant counsel to the Majority Leader of the New York State Assembly, and as a member of the last New York State Constitutional Convention. He is President of the 106th Precinct Community Council, Queens County, and is active in other civic and community affairs. Mr. Pitaro, 57, is a resident of New York City.

ROBERT W. SEAKEY, Representative. Mr. Seavey is President of N.D.I., a real estate development and construction firm. He is a member of the law firm of Seavey, Fingerit & Vogel, New York, New York, a director of the Citizens' Housing and Planning Council of New York and a member of the Committee on Housing and Urban Development of the Association of the Bar of The City of New York. Mr. Seavey, 50, is a resident of New York City.

SANFORD I. WEILL, Representative. Mr. Weill is Chairman and Chief Executive Officer of Shearson Hayden Stone, Inc., an international investment banking firm, of which he was a founder in 1960. He has served as a director of numerous corporations and currently is on the Board of the Arlen Realty & Development Corp. He is a member of the New York Society of Security Analysts, Midwest Stock Exchange, Chicago Board of Trade and Young Presidents Organization, Inc. In January 1976, he was appointed by the Governor of New York to the Securities Industry Task Force. He is a member of the President's Council of Brandeis University. Mr. Weill, 44, is a resident of New York City.

EUGENE KEILIN, Executive Director. Mr. Keilin was employed by the City from 1971 until he became Executive Director of the Corporation on October 1, 1976. From 1973 to 1975 he served as General Counsel of the City's Office of Management and Budget and from 1975 to October 1976 he was counsel to
the City's first Deputy Mayor for Finance. Prior to his employment by the City, Mr. Keelin was associated with the New York law firm of Sage, Gray, Todd & Sims. Mr. Keelin, 35, is a resident of New York City.

The Act provides that the directors of the Corporation, except as otherwise provided by law, may engage in private employment or in a profession or business and that they shall be deemed to be State officers for the purposes of Sections 73 and 74 of the State Public Officers Law. Notwithstanding the provisions of such law or of any other law, the Corporation or any other instrumentality of the State may purchase from, sell to, borrow from, loan to, contract with or otherwise deal with any corporation, trust, association, partnership or other entity in which any director of the Corporation has a financial interest, direct or indirect, provided that such interest or affiliation is disclosed in the minutes of the Board of Directors of the Corporation and provided further that no director having a financial interest or affiliation shall participate in any decision of the Board authorizing or affecting such transaction.

Directors and Representatives serve without salary. Each director is entitled to reimbursement for his actual and necessary expenses incurred in the performance of his official duties as a director and a per diem allowance of $100 when rendering services as a director, subject to a maximum aggregate allowance of $5,000 in any one fiscal year. Each Representative is entitled to reimbursement for his actual and necessary expenses incurred in the performance of his official duties as a Representative, but is not entitled to a per diem allowance.

PART 9—VARIOUS CONTROL PROGRAMS

Conditions to Payments to the City

The Act provides that, at the time of any purchase by the Corporation of City obligations, any exchange of the Corporation's bonds or notes for short-term City obligations or any other payment to the City of the Corporation's funds, the City is required to agree to observe and perform a number of statutory conditions which the Corporation may modify from time to time, but may not waive. The statutory conditions, as modified by the Corporation and agreed to by the City, are to remain in effect until all bonds and notes of the Corporation have been repaid or such repayment is provided for as specified in the Act.

The statutory conditions which the City is required to observe and perform are designed to (i) reform and unify the City's system of accounting, (ii) provide independent review of the City's expenditures, and (iii) establish limits and controls over the City's debt-incruring power. These conditions, and the City's compliance therewith to date, may be briefly summarized as follows:

(i) The City has informed the Corporation that the City has taken steps to adopt as its method of accounting the accounting principles set forth in the State Comptroller's Uniform System of Accounts for Municipalities, as that system may be modified by the State Comptroller in consultation with the City Comptroller. The City is to complete the transition to such accounting method as promptly as is reasonably practicable, so that the audited financial statements provided to the Corporation for the City's 1978 fiscal year and for each subsequent fiscal year can be prepared in accordance with such accounting method. The City is also required over a 10-year period to eliminate from its Capital Budget those expenses properly includable only in its Expense Budget under such accounting method at the cumulative rate of 10% a year of such items contained in the City's Capital Budget for the City's 1976 fiscal year. See "PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY" for a discussion of the City's actions to eliminate such expense items from the Capital Budget.

(ii) The City must submit its financial statements for an independent annual audit by the State Comptroller or, at his election, by an independent certified public accounting firm, beginning with the 1978 fiscal year and must submit its proposed Expense Budgets (and any subsequent increases in expenditures therein) for each fiscal year and each quarter thereof to the Corporation for review as to whether the City is maintaining an Expense Budget in which the total of all income equals or exceeds the total of all expenditures, after the adjustments permitted by the Act.

(iii) The amount of short-term debt which the City may have outstanding is subject to certain limitations. The sum of the aggregate principal amounts of the City's outstanding short-term obligations (excluding those held by the Corporation) and the aggregate principal amount of all outstanding
bonds and notes issued by the Corporation may not exceed 125% of the “Base Debt Limit” of $6.6 billion during the current fiscal year, with such limit decreasing in 5% annual reductions to 110% for the 1981 fiscal year and each fiscal year thereafter. In addition, the aggregate principal amount of the City’s outstanding short-term obligations (excluding bond anticipation notes) plus the aggregate principal amount of all notes and bonds issued by the Corporation (less (i) any notes or bonds which have been refunded or renewed and any bonds or notes in an amount equal to the aggregate principal amount of bond anticipation notes of the City acquired by the Corporation, whether or not then held by the Corporation (except bond anticipation notes of the City acquired by the Corporation in consideration of the surrender by the Corporation to the City of bond anticipation notes of the City), (ii) any short-term obligations of the City then held by the Corporation other than bond anticipation notes and (iii) any short-term obligations of the City issued and payable within the same fiscal year) may not exceed $5 billion. The Corporation is required to police these limits by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates the debt limits and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations.

If the Board of Directors of the Corporation determines, after review of the City’s books and records and consultation with the Mayor, that the City’s Expense Budget will not be balanced in accordance with the Act, or that any of the conditions summarized above have not been fulfilled or should be modified, the Corporation must notify the Governor, the Mayor and certain other State and City officials and must disclose such determinations to the public.

Powers of the Corporation

The Act authorizes the Corporation to make direct payments to or purchase obligations of the City, subject to the conditions described under “Conditions to Payments to the City” in this PART 9.

The Corporation may pay to the City, directly or through the purchase of City obligations with maturities not longer than 15 years, part or all of the amounts certified by the Mayor to be required by the City to pay either (i) principal and interest on short-term City obligations at maturity or (ii) operating expenses of the City. Amounts received pursuant to (i) must be held in trust by the City for such purpose. Amounts received pursuant to (ii) must be used to pay such expenses, and must be evidenced by City obligations not exceeding $2.0 billion in aggregate principal amount outstanding (with no more than $900 million payable in other than the fiscal year of issuance, and the balance payable within such fiscal year). The Corporation’s advances for City operating expenses aggregate $1,999 billion.

The Corporation is further empowered to exchange its bonds or notes for short-term obligations of the City provided that the Board of Directors of the Corporation finds that such exchange will not prejudice the rights of holders of other City bonds and notes. The Corporation may deliver such short-term obligations (other than bond anticipation notes, which must be refunded, renewed, or repaid to the Corporation) to the City for cancellation. As of the date hereof, the Corporation has issued $1.808 billion aggregate principal amount of Second Resolution Bonds in exchange for an equal principal amount of outstanding short-term obligations of the City.

Control Board

The members of the Control Board, which was created pursuant to the Emergency Act (see “PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY”), currently consist of the Governor and Comptroller of the State, and the Mayor and Comptroller of the City and three appointees of the Governor: Francis J. Barry (a member of the Board of the Corporation), John C. Sawhill and Stanley Shuman. Donald D. Kummerfeld has been designated Executive Director of the Control Board effective January 1, 1978. John Bender is currently Acting Executive Director of the Control Board. Sidney Schwartz is Special Deputy State Comptroller, empowered to assist the Control Board in carrying out its functions.

The Control Board is empowered by the Emergency Act to review and approve the financial plan of the City. If the Control Board determines that increased revenues are available in an amount equal to a
requested increase in expenditures, the Control Board may, upon the request of the City, allow an increase in the Expense Budget of the City or of “covered organizations” (defined in the Emergency Act as including certain public authorities and corporations which may receive funds from the City) for any fiscal year (which increase may be cumulative) equal to 2% of the Expense Budget for the 1976 fiscal year, or such further increases as may be required to meet the impact of substantial inflation. The period covered by such financial plan may be extended by the Control Board, which did so at its June 3, 1977 meeting, extending the period covered to include the 1979 fiscal year, see “PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY.”

The Control Board’s current program for monitoring the City’s performance under such financial plan includes review of its new system of monthly expenditure projections and quarterly allocations by agency, review of cost reduction programs, and review of revenue by category on an ongoing basis.

For the duration of the “emergency period” (defined in the Emergency Act to mean the period ending when the Control Board determines that the Expense Budget shall have been in balance for one fiscal year in accordance with the accounting methods referred to above) all revenues received by the City and certain revenues of any covered organization have become revenues of the Emergency Financial Control Board Fund (the “Fund”) and are held for the account of the City and the appropriate covered organizations. All funds and accounts established by the City or the covered organizations have become funds and accounts of the Fund, except to the extent prohibited by law or previous agreement relating to outstanding securities. Responsibility for disbursements from and day-to-day management of the Fund is in the hands of the City, although the Control Board has established procedures through which it may assume immediate control of such Fund. The Control Board has the power to exempt revenues, funds or accounts from these requirements.

In addition to its responsibilities with respect to the financial plan, the Control Board is also charged with responsibility for the review and approval of proposed City contracts or obligations and, in coordination with the Corporation, the approval of long-term and short-term borrowing by the City or any covered organization.

If, after the termination of the City’s 1978 fiscal year, the Control Board determines that the City’s Expense Budget revenues and expenditures for such year were in balance, as is currently expected, unless the legislation establishing the Control Board is amended, a part of the Control Board’s oversight and control functions will terminate upon such determination. Under the Emergency Act the existence of the Control Board is scheduled to terminate six months after the end of the emergency period. It is expected that the Control Board could complete its review of the City’s 1978 fiscal year as early as September 1978.

Federal Credit Agreement

Through the Federal Credit Agreement, the Federal government also monitors the financial condition of the City.

Before making any loan to the City under the Federal Credit Agreement, the Secretary must have received a borrowing and payment schedule prepared by the City and approved by the Control Board setting forth expected receipts and expenditures of the City from the date of the loan to the end of the next succeeding fiscal year, together with the sources, amounts and dates of anticipated receipt of revenue available for repayment of the loan. The Secretary must further determine that there is a reasonable prospect of repayment of the loan in accordance with its terms and conditions. Under the Federal Credit Agreement, the City is required, as of July 1, 1977, to use its best efforts to obtain seasonal financing without resort to loans under the Federal Credit Agreement. For a description of the City’s recent attempt to sell notes to fulfill this obligation, see “PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY—Recent Financial Developments.”

The Mayor, the City Comptroller and the Control Board are required to notify the Secretary of any reasons known to them why revenues will not be available or sufficient to repay any loan according to its terms. Upon notice that the Secretary has reason to believe that any loan will not be repaid according to its terms, the State must impound any revenues due the City which were identified in the loan request as available for repayment of the loan. Any such impounded revenues must be paid directly to the Secretary on the due date of the loan and thereafter until such loan is repaid in full.
Until all loans have been repaid and until June 30, 1978, the City and the Control Board must notify the Secretary of any modifications, changes or amendments to the financial plan.

The United States General Accounting Office and the Secretary's representative are authorized to audit and review the books and records of the City, the Control Board and the State. In addition, the City and the Control Board must furnish to the Secretary a monthly statement of any material changes in the financial plan or any litigation affecting it, a monthly statement of the results of the City's operations, an annual statement of the City's financial position, and a semi-annual evaluation of the current economic condition of the City.

In the event that any of the foregoing conditions and requirements are not met, the Secretary may demand and seek to enforce immediate repayment of any loan then outstanding.

**PART 10—LITIGATION**

Set forth below is a brief description of certain litigation which may affect the Corporation. For information regarding certain other litigation which may affect the Corporation, see “PART 6—CERTAIN DEVELOPMENTS AFFECTING THE STATE” and “PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY.”

**Moratorium**

For information regarding action by the Courts with respect to the Moratorium Act, see “PART 7—CERTAIN DEVELOPMENTS AFFECTING THE CITY.”

In June 1976, one individual, on behalf of himself, his wife and another relative, as taxpayers and owners of stock in cooperative apartments, commenced a special proceeding in State Supreme Court against the City Comptroller and the Corporation alleging that Article 8, Section 2 of the State Constitution requires that the City Comptroller set aside the first revenues received by the City after a failure by the City to appropriate moneys to pay short-term indebtedness of the City and apply such revenues to redeem City notes. Petitioners have sought a judgment directing the City Comptroller to set aside the first revenues received by the City after June 30, 1976 and to apply these revenues to the redemption of notes of the City which were subject to the Moratorium Act, including notes held by the New York Clearing House Banks and City Pension Funds. The City moved to dismiss the petition, which motion was granted by the Court. In October 1977, the Appellate Division of the State Supreme Court, First Department, affirmed on procedural grounds. Petitioners have appealed as of right to the State Court of Appeals. Respondents intend to move to dismiss the appeal in the Court of Appeals.

Petitioners have also moved in the Appellate Division, First Department, for an order granting (a) reargument of certain issues; (b) resettlement of the Appellate Division’s order; and (c) permission to appeal the order of the Appellate Division to the Court of Appeals.

**Revenues of the Corporation**

On October 3, 1977 the Supreme Court of the United States dismissed for want of a substantial federal question an appeal in an action challenging the constitutionality of the Act.

The Supreme Court's ruling ended two separate actions against the Corporation and others challenging the Corporation's revenue streams. In one, plaintiff sought a declaratory judgment that sections of the Tax Law and Finance Law enacted as part of the Act violate certain provisions of the Federal Constitution and the State Constitution, by allegedly depriving the holders of City bonds of amounts to be received by the Corporation from the Sales Tax and Stock Transfer Tax, which the plaintiff alleged would otherwise have constituted security for the payment of principal of and interest on such City bonds. Plaintiffs in the second action sought similar relief and, in addition, alleged that the Act is unconstitutional under Article I, Section 10 of the Federal Constitution, in that it allegedly authorizes the City to deviate from an alleged obligation to bondholders to maintain a balanced budget.

Bond counsel has given its opinion to the Corporation that in a suit brought by any holder of bonds or notes of the City, asserting a right to the Sales Tax or the Stock Transfer Tax superior or equal to the rights of holders of bonds of the Corporation, including the 1978 Series JJ Bonds, such holder will not prevail in the court of final jurisdiction.
PART II—SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GENERAL BOND RESOLUTION

Following is a summary of certain provisions of the First General Bond Resolution (herein referred to as the “Resolution”). The Summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the First General Bond Resolution, to which reference is hereby made and copies of which are available from the Corporation. Sections 203 and 902 of the Resolution were amended effective July 17, 1976. See “Special Refunding Provisions” and “Special Provisions as to Extension of Payment of Bonds and Coupons” in this PART II.

Certain Defined Terms

“Capital Reserve Fund” shall mean the fund by that name established by Section 602 of the Resolution.

“Capital Reserve Fund Requirement” shall mean, as of any date of calculation, the amount referred to as the capital reserve fund requirement in subdivision 5 of Section 3036 of the Act, including, as provided in Section 901 of the Resolution for such purposes, any unpaid and matured amounts of principal and interest on the Bonds or such larger amount as may hereafter be authorized pursuant to the Act as amended from time to time.

“Debt Service Fund” shall mean the fund by that name established by Section 602 of the Resolution.

“Fiscal Year” shall mean any twelve (12) consecutive calendar months commencing with the first day of July and ending on the last day of the following June.

“Notes” shall mean any obligations issued by the Corporation, other than Bonds or Other Obligations, within the limitations set forth under Section 202 of the Resolution, the principal of and interest on which is payable from the Debt Service Fund.

“Operating Expenses” shall mean the Corporation’s expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, as then in effect, and shall include, without limiting the generality of the foregoing: administrative expenses, legal, accounting and consultants’ services and expenses, payments to pension, retirement, health and hospitalization funds, and any other expenses required or permitted to be paid by the Corporation under the provisions of the Act, as then in effect, or the Resolution or otherwise.

“Operating Fund” shall mean the fund by that name established by Section 602 of the Resolution.

“Other Obligations” shall mean any obligations, other than Bonds or Notes, issued by the Corporation, in contemplation of the issuance of Bonds or Notes, with the limitations set forth under Section 202 of the Resolution, the interest on which is payable from the Debt Service Fund.

“Outstanding”, when used with reference to Bonds, other than Bonds referred to in Section 1105 of the Resolution, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except: (i) any Bonds cancelled by the Trustee at or prior to the principal amount or purchase price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are not to be redeemed, notice of such redemption shall have been given in accordance with Article IV of the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Article III or Section 406 or Section 1106 of the Resolution, and (iv) Bonds deemed to have been paid as provided in subsection 2 of Section 1401 of the Resolution.

“Paying Agent” for the Bonds of any Series shall mean the bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution and a Series Resolution or any other resolution of the Corporation adopted prior to the authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution and the Series Resolution pursuant to which the same was issued.
"Refunding Bonds" shall mean all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to Section 203 of the Resolution.

"Resolution" shall mean the First General Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

"Revenues" shall mean all payments to the Corporation pursuant to Section 3036 of the Act except any payments to the Corporation for credit to the Operating Fund.

"Sales Tax" shall mean the sales and compensating use taxes imposed by Section 1107 of Article 28 of the Tax Law of the State.

"Serial Bonds" shall mean the Bonds so designated in a Series Resolution.

"Series of Bonds" or "Bonds of a Series" or words of similar meaning shall mean the Series of Bonds authorized by a Series Resolution.

"Series Resolution" shall mean a resolution of the Corporation authorizing the issuance of a Series of Bonds in accordance with the terms and provisions thereof adopted by the Corporation in accordance with Article X of the Resolution.

"Sinking Fund Installment" shall mean as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the amount of money required by a Series Resolution, pursuant to which such Bonds were issued, to be paid at all events by the Corporation on a single future February 1 for the retirement of any Outstanding Bonds of said Series which mature after said future February 1, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond, and said future February 1 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

"State" shall mean the State of New York.

"Stock Transfer Tax" shall mean the tax on the sale or transfer of stock or other certificates imposed by Article 12 of the Tax Law of the State.

"Supplemental Resolution" shall mean a resolution supplemental to or amendatory of the Resolution, adopted by the Corporation in accordance with Article X of the Resolution.

"Term Bonds" shall mean the bonds so designated in a Series Resolution and payable from Sinking Fund Installments.

"Trustee" shall mean United States Trust Company of New York and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to the Resolution.

Authorization of Bonds

The Resolution creates an issue of Bonds which are general obligations of the Corporation payable out of any revenues of the Corporation and are additionally secured by the pledge of the revenues of the Corporation and the moneys and securities in the Debt Service Fund and Capital Reserve Fund as described in "PART 3—PROVISIONS FOR PAYMENT OF THE BONDS." The Bonds shall not be a debt of the State or the City.

(Resolution, Section 201)

Additional Bonds and Notes

No Series of Bonds, subsequent to the 1975 Series A Bonds shall be authenticated and delivered by the Trustee and no Notes or Other Obligations will be issued by the Corporation except upon receipt by the Trustee of:

(1) A certificate by the New York State Commissioner of Taxation and Finance setting forth the most recent collections for the 12 consecutive calendar months ended not more than two months prior to the date of such certificate, of the Sales Tax and Stock Transfer Tax, and such other taxes, which as
of the date of issuance of any such Series of Bonds, Notes or Other Obligations, are levied and collected by the State and are payable into the special account in the Municipal Assistance Tax Fund established for the Corporation.

Where the amount for such 12 consecutive calendar months is greater than the revenues expected by said Commissioner for the next succeeding 12 months from such Sales Tax, Stock Transfer Tax and such other taxes, the certificate shall set forth the estimated amount which is expected to be levied and collected in such next succeeding 12 months and paid into such special account. Any distortion for any such prior 12 consecutive month period occasioned by a change in payment dates, prepayments and late payments of such Sales Tax, Stock Transfer Tax or such other taxes shall be taken into account in such certification by increasing or decreasing the estimated amount of Sales Tax, Stock Transfer Tax or such other taxes to be levied and collected. In the event the Sales Tax or such other taxes have not been in effect for 12 calendar months said Commissioner shall use, respectively, collections of the sales and compensating use taxes previously imposed by the City or collections of the tax similarly based to the other taxes referred to above if such tax was previously imposed by the City, as the amount to be certified in lieu of actual collections of the Sales Tax or other taxes, for those months the Sales Tax or other taxes were not in effect;

(2) A certificate by an authorized officer of the Corporation setting forth (a) the aggregate amount of the principal on Serial Bonds, the Sinking Fund Installments, maturities of Term Bonds not required to be paid from Sinking Fund Installments and interest on all Outstanding Bonds, including such Series, and the principal of and interest on Notes and Other Obligations, for each Fiscal Year and (b) the aggregate amount of Operating Expenses as estimated by an authorized officer of the Corporation for the current Fiscal Year;

(3) A certificate by an authorized officer of the Corporation stating that the amounts set forth pursuant to paragraph (1) above after deducting the Operating Expenses set forth pursuant to paragraph (2) (b) above, will be at least 2 times such aggregate amount set forth in (2) (a) above for each Fiscal Year set forth pursuant to paragraph (2) (a) above; and

(4) A certificate by an authorized officer of the Corporation stating that the amount of Sales Tax collections or the amount to be certified in lieu of such collections set forth pursuant to paragraph (1) above after deducting the Operating Expenses set forth pursuant to paragraph (2) (b) above, will be at least 1.5 times the aggregate amount set forth in (2) (a) above for each Fiscal Year set forth pursuant to paragraph (2) (a) above;

provided further that prior to the issuance of any Notes or Other Obligations, the Trustee shall receive, in conjunction with the certificate hereinbefore referred to, a certificate of an authorized officer of the Corporation identifying such securities as either Notes or Other Obligations and setting forth the terms and provisions thereof, including the date or dates of payment of principal and interest on the Notes and the date or dates of payment of the interest on the Other Obligations and stating that such date or dates and amounts of payments due for principal and interest on the Notes to be issued or interest on the Other Obligations to be issued have not been so scheduled as to materially adversely affect the ability of the Corporation to pay the principal of or interest on its Outstanding Bonds when due or the coverages set forth hereinbefore as affected by the quarterly payments provided for in Section 607 of the Resolution.

(Resolution, Section 202)

The Pledge Effectuated by the Resolution

The proceeds of sale of the Bonds, the Revenues, and all Funds (other than the Operating Fund) established by the Resolution, and other moneys and securities referred to therein are pledged for the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution; provided, however, nothing aforesaid shall be construed to preclude, subject to the provisions of Section 605 and Section 607 of the Resolution, the right of the Corporation to grant an equal lien on all revenues, moneys and securities in the Debt Service Fund (other than moneys
if any, paid into the Debt Service Fund from the Capital Reserve Fund pursuant to Section 605(2) of the Resolution) to secure the payment of principal of and interest on Notes and interest on Other Obligations.

(Resolution, Section 601)

Establishment of Funds

The Resolution establishes the following Funds:

(1) Operating Fund, which is held by the Corporation;
(2) Debt Service Fund, which is held by the Trustee; and
(3) Capital Reserve Fund, which is held by the Trustee.

(Resolution, Section 602)

Application of Payments

Any payment received by the Corporation in accordance with subdivision 1 of Section 3036 of the Act shall be applied to the Operating Fund, the Debt Service Fund, and the Capital Reserve Fund in accordance with the certification of the Chairman of the Corporation pursuant to which such payment is made. If the amount of any payment received is less than the amount so certified, such amount shall be applied pro rata to the respective Funds on the basis of the amounts as certified.

(Resolution, Section 603)

Operating Fund

The Corporation shall pay out of the Operating Fund the amounts required for the payment of Operating Expenses.

(Resolution, Section 604)

Debt Service Fund

1. The Trustee shall on or before the business day preceding each interest payment date for any Bonds or any outstanding Notes pay, out of the amounts then held in the Debt Service Fund, to itself and the Paying Agents, the amounts respectively required for the payment of principal, Sinking Fund Installments, if any, and Redemption Price of, if any, and interest on any Bonds or Notes due and payable on such date, and shall at the direction of an Authorized Officer of the Corporation pay to itself or the Paying Agents or paying agents (for Other Obligations) for payment of interest on Other Obligations such amount as shall be necessary, in the opinion of the Corporation, to pay such interest on Other Obligations becoming due and payable, and such amounts so paid out shall be irrevocably pledged to and applied to such payments; provided that any amounts paid into the Debt Service Fund from the Capital Reserve Fund pursuant to paragraph (2) hereof shall be used only for the purpose of paying principal and interest on the Bonds.

2. In the event that on the business day preceding any interest payment date, the amount in the Debt Service Fund shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds and for the payment of the principal and Sinking Fund Installments of the Outstanding Bonds of any Series due and payable on such interest payment date, the Trustee shall withdraw from the Capital Reserve Fund and deposit into the Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payment or payments.

3. As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to Section 403 of the Resolution, on such due date, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Term Bonds of such Series and maturity. The Trustee shall so call such Term Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable principal
amount thereof, together with interest thereon to the redemption date. The Trustee shall pay out of the Debt Service Fund to the appropriate Paying Agents, on the day preceding each such redemption date, the amount required for the redemption of the Term Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

4. The Corporation may, at any time subsequent to the second day of February of any year but in no event less than 45 days prior to the succeeding first day of February on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys in the Debt Service Fund, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase, Term Bonds payable from such Sinking Fund Installment and any Term Bonds so purchased prior to the first day of February shall be cancelled by the Trustee and the aggregate principal amount of the Term Bonds so purchased shall be credited against the Sinking Fund Installment due on such first day of February.

(Resolution, Section 605)

**Capital Reserve Fund**

1. The Corporation shall deposit into the Capital Reserve Fund (i) all moneys paid to the Corporation pursuant to subdivisions 1 and 4 of Section 3036 of the Act for the purpose of maintaining or restoring the amount in such Fund to the Capital Reserve Fund Requirement; (ii) such portion of the proceeds of sale of Bonds, if any, as shall be prescribed by a Series Resolution authorizing the issuance thereof; and (iii) any other moneys which may be made available to the Corporation for the purposes of the Capital Reserve Fund from any other source or sources.

2. Moneys and securities held for the credit of the Capital Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the provisions of paragraph 2 of Section 605 of the Resolution. At any time after December 31, 1980, moneys and securities in the Capital Reserve Fund in excess of its Capital Reserve Fund Requirement, upon direction of the Corporation, may be deposited to the credit of the Debt Service Fund.

3. In order further to assure the maintenance of the Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement and in compliance with the requirements of subdivision 4 of Section 3036 of the Act, the Chairman of the Corporation shall annually, on or before December 1, make and deliver to the Governor and Director of the Budget of the State said Chairman's certificate stating the sum, if any, required to restore the Capital Reserve Fund to an amount equal to the Capital Reserve Fund Requirement. All moneys received by the Corporation from the State pursuant to any such certification, in accordance with the provisions of subdivision 4 of Section 3036 of the Act, as amended, shall be deposited in the Capital Reserve Fund, as required by paragraph 1 of Section 606 of the Resolution.

(Resolution, Section 606)

**Maintenance of Certain Funds**

In order to assure the maintenance of the Operating Fund, the Debt Service Fund and the Capital Reserve Fund, not less than 120 days before the beginning of each Fiscal Year (but prior to February 12 in each calendar year), the Chairman of the Corporation shall certify to the State Comptroller and to the Mayor (with a copy to the Trustee) a schedule setting forth the cash requirements of the Corporation for such Fiscal Year and the time or times when such cash is required, which certification shall be revised from time to time as required. The total amount so certified by such Chairman for such Fiscal Year shall be equal to: (i) the amounts which are required to be deposited in the Capital Reserve Fund during such Fiscal Year in order to maintain the Capital Reserve Fund at the Capital Reserve Fund Requirement; (ii) the amounts required to be deposited in the Debt Service Fund to pay all interest on, and all payments of principal, Sinking Fund Installments, if any, and Redemption Price, if any, of Bonds or Notes maturing or otherwise coming due during such Fiscal Year; and (iii) the amounts required to be deposited in the Operating Fund as determined by the Corporation, to meet the Operating Expenses of the Corporation during such Fiscal Year. In order further to secure the obligations of the Corporation, including the Bonds, each quarterly payment (to be made on or before April 12, June 30, October 12 and January 12) by the State
Comptroller to the Corporation in accordance with such certification shall be an amount, after taking into account moneys then in the Debt Service Fund and available for purposes of the Debt Service Fund during such Fiscal Year, not less than the sum of (A) 50% of the interest on all outstanding Bonds, Notes or Other Obligations, the interest on which is payable from the Debt Service Fund of the Corporation payable within six months after the end of the quarterly period for which such payment is made plus (B) 25% of the principal and premium, if any, on all Bonds, Notes and Sinking Fund Installments of the Corporation payable within one year after the end of the quarterly period for which such payment is made and of such amount, if any, as may be required to be paid into the Capital Reserve Fund during the Fiscal Year of the Corporation of which such quarterly period is a part. If any increase shall occur in the cash requirements specified above, or if payments are required at a time or times earlier than previously certified or if the City shall for any reason fail to make timely payment of the principal and accrued interest due on any obligation issued by the City to the Corporation and maturing within the same Fiscal Year, such Chairman shall certify a revised schedule of cash requirements for such Fiscal Year to the State Comptroller and to the Mayor. The schedule accompanying each certification (or revision thereof) shall provide for such payment dates as the Corporation deems appropriate to assure that sufficient funds will be available to meet the obligations of the Corporation as they become due. The Chairman shall exclude from consideration in making any such certification with respect to the funds required by the Corporation for payment of principal or interest on the Bonds or Notes, or interest on Other Obligations, any amounts due to be received as payment of principal of or interest on obligations of the City held by the Corporation.

(Resolution, Section 607)

Refunding Bonds

All or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds. No part of a Series of Bonds may be refunded if the Bonds being refunded bear interest at a rate lower than the Bonds of such Series not being refunded. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefore, to accomplish such refunding and to make such deposits required by the provisions of the Act, the Resolution and Series Resolution authorizing said Series of Refunding Bonds.

A Series of Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by it of the documents required by Section 202 of the Resolution) of the following documents:

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on the redemption date specified in such instructions;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for in Section 1401 of the Resolution to the Holders of the Bonds and coupons being refunded;

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) direct obligations of the United States of America in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of subsection 2 of Section 1401 of the Resolution and any moneys required pursuant to said subsection 2, which direct obligations of the United States of America and moneys shall be held in trust and used only as provided in said subsection 2; and

(d) A certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of subsections 1 and 2 of Section 203 of the Resolution.

(Resolution, Section 203)

Special Refunding Provisions

Notwithstanding any other provision or restriction contained in Section 203 of the Resolution or elsewhere in the Resolution, the Corporation, by Series Resolution, may authorize, cause to be authenticated
and deliver Refunding Bonds, being refunding bonds as defined in the Act as amended to the date of delivery of such Refunding Bonds, in exchange for Outstanding Bonds of one or more Series or portion thereof including any maturity or portion of a maturity (the "Refunded Bonds"), with the consent of the Holder or Holders thereof, whether or not the Refunded Bonds are subject to redemption prior to their stated maturity and, if so, without regard to the redemption provisions thereof, including, but not limited to, the time of redemption and redemption premium, if any, provided that (i) the Board determines such refunding to be in fulfillment of one or more of the Corporation's purposes, (ii) the Refunded Bonds are upon the exchange thereof cancelled and no longer Outstanding and (iii) the Trustee receives the documents required by Section 202 of the Resolution.

The Bonds being refunded pursuant to Section 203 of the Resolution shall not be deemed Outstanding for the purposes of the documents required by Section 202 deliverable pursuant to such Section 203.

(Resolution, Section 203)

Special Provisions as to Extension of Payment of Bonds and Coupons

Except as hereinafter permitted, the Corporation shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the coupons or claims for interest by the purchase or funding of such Bonds, coupons or claims for interest or by any other arrangement unless (i) the Board determines such extension to be in fulfillment of one or more of the Corporation's purposes, (ii) the Holder of such Bonds, coupon or claim for interest consents thereto, (iii) the Trustee receives the documents that would be required by Section 202 of the Resolution, (excluding a Series Resolution if not applicable) in the event of an issuance of Bonds, assuming for such purpose that for all computations required for the issuance of a Series of Bonds under Section 202(3) of the Resolution, all Bonds, coupons and claims for interest to be so extended or otherwise modified, at a particular time, as extended or modified constitute a Series of Bonds to be authenticated and delivered and that the Bonds, coupons and claims for interest as they existed prior to such extension or modification are not to be deemed Outstanding for the purposes of documents required to be delivered by Section 202 of the Resolution and (iv) the Corporation publishes within 90 days after the Board shall have taken the action referred to in (i) hereof in an Authorized Newspaper a notice of such extension or proposed extension. In case the maturity of any of the Bonds or the time for payment of any such coupons or claims for interest shall be extended, except as permitted in the foregoing sentence, such Bonds, coupons or claims for interest shall not be entitled in case of any default under the Resolution to the benefit of the Resolution or to any payment out of any assets of the Corporation or the funds (except funds held in trust for the payment of particular Bonds, coupons or claims for interest pursuant to the Resolution) held by the Trustee or any Paying Agent, except subject to the prior payment of the principal of all Bonds issued and outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended coupons or claims for interest. Nothing herein shall be deemed to limit the right of the Corporation to issue Bonds of a Refunding issue as provided in Section 203 of the Resolution and such issuance shall not be deemed to constitute an extension of maturity of Bonds or the time of payment of any of the coupons or claims for interest.

(Resolution, Section 902)

Further Assurances

The Corporation has covenanted that it shall cause the Chairman to make and deliver the certificates referred to in Sections 606 and 607 of the Resolution.

(Resolution, Section 904)

Payment of Bonds

The Corporation shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds
and in the coupons thereto appertaining, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds.

(Resolution, Section 901)

Office for Servicing Bonds

The Corporation shall at all times maintain an office or agency in the Borough of Manhattan, City and State of New York, where Bonds and coupons may be presented for payment, registration, transfer or exchange. The Corporation has appointed the Trustee as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds.

(Resolution, Section 903)

Power to Issue Bonds and Make Pledges

The Corporation is duly authorized pursuant to law to create and issue the Bonds and to adopt the Resolution and to pledge the Revenues, and other moneys, securities and funds purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution and all corporate action on the part of the Corporation to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of the Resolution. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whosoever.

(Resolution, Section 905)

Agreement of the State

In accordance with the provisions of Section 3015 of the Act, the Corporation has included in the Resolution a pledge and agreement with the holders of the Bonds that the State will not limit or alter the rights vested pursuant to the Act in the Corporation to fulfill the terms of any agreements made with Bondholders, or in any way impair the rights and remedies of such holders until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully paid and discharged.

(Resolution, Section 906)

Creation of Liens

The Corporation shall not issue any bonds or other evidences of indebtedness, other than the Bonds secured by a pledge of the revenues, moneys and securities in the Capital Reserve Fund and shall not create or cause to be created any lien or charge prior to the Bonds on the revenues, moneys and securities in the Debt Service Fund.

(Resolution, Section 907)

Additional Obligations

The Corporation reserves the right to issue bonds, notes or any other obligations, under another and separate resolution so long as the same are not entitled to a charge or lien or right prior or equal to the charge or lien created by, or prior or equal to the rights of the Corporation and holders of the Bonds provided by, the Resolution and the Act, or with respect to the moneys pledged under the Resolution or with respect to proceeds from the Sales Tax or the Stock Transfer Tax or the sources set forth in the Act.

(Resolution, Section 204)
Events of Default

The Resolution provides that it shall constitute an "event of default" if:

(a) the Corporation shall default in the payment of the principal or Sinking Fund Installments, if any, or Redemption Price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise; or

(b) the Corporation shall default in the payment of interest on any of the Bonds and such default shall continue for a period of thirty (30) days; or

(c) the Corporation shall fail or refuse to comply with the provisions of subdivision 1 of Section 3036 of the Act, or the State Comptroller shall fail to pay to the Corporation, as and when required by such Section, for deposit in the Capital Reserve Fund, the Debt Service Fund or the Operating Fund any amount or amounts as shall be certified by the Chairman of the Corporation pursuant to such provisions of the Act or the Corporation shall fail or refuse to deposit in the Capital Reserve Fund or the Debt Service Fund the amount or amounts received by the Corporation for deposit in such Fund; or

(d) the Corporation shall fail or refuse to comply with the provisions of subdivisions 3 and 4 of Section 3036 of the Act, or the State shall fail to appropriate and pay to the Corporation, as and when required by such Section, for deposit in the Capital Reserve Fund any amount or amounts as shall be certified by the Chairman pursuant to such provisions of the Act or the Corporation shall fail or refuse to deposit in the Capital Reserve Fund the amount or amounts received by the Corporation for deposit in such Fund; or

(e) the Corporation shall fail or refuse to comply with the provisions of the Act, other than as provided in (c) or (d) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds; or

(f) the State shall for any reason fail or refuse to continue the imposition of either the Sales Tax imposed by Section 1107 of Article 28 of the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by Sections 270 and 270-a of Article 12 of such Law as the same may be from time to time amended or if the rates of such taxes shall be reduced to rates less than those in effect on July 2, 1975; or

(g) the State shall fail to maintain the existence of either the special account in the Municipal Assistance Tax Fund or the Stock Transfer Tax Fund.

(Resolution, Section 1202)

Remedies

The Resolution vests the Trustee with all rights, powers and duties of a trustee appointed by Bondholders pursuant to Section 3017 of the Act and the right of Bondholders to appoint a trustee pursuant to such Section of the Act is thereby abrogated in accordance with the provision of subdivision 2(g) of Section 3012 of the Act.

(Resolution, Section 1201)

Upon the happening and continuance of any event of default specified in paragraph (a) or (b) of Section 1202 of the Resolution, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraph (c), (d), (e), (f) or (g) of said Section, the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such one or more of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:
(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the holders of the Bonds;

(d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds; or

(e) in accordance with the provisions of the Act (including the requirement of 30 days notice to the Governor, the Corporation and the Attorney General of the State) to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for principal, Redemption Price, interest or otherwise, under any provision of the Resolution or a Series Resolution or of the Bonds, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(Resolution, Section 1203)

Priority of Payments After Default

In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and principal, Sinking Fund Installments or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Resolution, shall be applied as follows:

(a) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over

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any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and coupons.

(Resolution, Section 1204)

Series Resolutions and Supplemental Resolutions

A Series Resolution or Supplemental Resolution of the Corporation may be adopted at any time or from time to time, for any one or more of the following purposes: to provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed; to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution of the Revenues, or of any other moneys, securities or funds; to modify any of the provisions of the Resolution or any previously adopted Series Resolution in any other respects, provided that such modification shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or, with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolutions as theretofore in effect.

(Resolution, Section 1001)

Any of the provisions of the Resolution hereinbefore stated may be amended by a Supplemental Resolution, with the written consent (a) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1101 of the Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment.

(Resolution, Section 1101)

Any term or provision of the Resolution and the rights and obligations of the Corporation and of the holders of the Bonds and coupons thereunder may be modified or amended with the consent of the holders of all of the Bonds then Outstanding.

(Resolution, Section 1103)
Investment of Funds

1. Moneys in the Debt Service Fund and the Capital Reserve Fund shall, as nearly as may be practicable, be invested by the Trustee upon direction of the Corporation in (a) direct obligations of the United States of America, direct obligations of the State or obligations the principal and interest of which are guaranteed by the United States of America or the State, (b) any bond, debenture, note, participation or other similar obligation issued by any of the following Federal agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, Farmers’ Home Administration and Export-Import Bank, (c) if permitted by law, any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association, and (d) any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State of New York or held in the State treasury.

2. In lieu of the investments of moneys in obligations authorized in paragraph (1) above, the Trustee shall, to the extent permitted by the Act then in effect, upon direction of the Corporation in writing, signed by an authorized officer, deposit moneys from any fund or account held by the Trustee under the terms of the Resolution, in interest-bearing time deposits, or shall make other similar banking arrangements, with itself or a member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation; provided, that no moneys in such funds or accounts shall be so deposited unless the recipient of such deposit shall certify in writing to the Corporation and the Trustee, upon the making of each such deposit or arrangement, that the interest to be earned thereon will be in excess of the interest, income or increment that would be earned by the investment of such moneys in accordance with the requirements of paragraph (1) above in direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the United States of America or by the State at the then current market prices*; provided further, that each such interest-bearing time deposit or other similar banking arrangement shall permit the moneys so placed to be available for use at the times provided with respect to the investment or reinvestment of such moneys; and provided further, that all moneys in each such interest-bearing time deposit or other similar banking arrangement shall be continuously and fully secured by direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the United States of America or by the State, of a market value equal at all times to the amount of the deposit or of the other similar banking arrangement.

3. Obligations purchased as an investment of moneys in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

4. The Resolutions provide that the Trustee shall not be liable or responsible for the making of any investment authorized pursuant thereto, in the manner provided therein, or for any loss resulting from any such investment so made.

(Resolution, Sections 702 and 703)

Defeasance

1. If the Corporation shall pay or cause to be paid to the Holders of all Bonds and coupons then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in

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* Hawkins, Delafield & Wood, Bond Counsel for the Corporation, have advised the Corporation and the Trustee that they need not obtain the certificate described in the text above (from the recipient of a deposit or arrangement) in circumstances in which the investment to be made is of a short-term nature and the obligations authorized in paragraph (1) above, with maturities corresponding to the dates when moneys are required by the Corporation, are not available and, consequently, it is not practicable to make a comparison to the interest, income or increment that would be earned by the investment of moneys in such obligations. Carter, Ledyard & Milburn, counsel for the Trustee, have concurred in such opinion.
the manner stipulated therein and in the Resolution, then the covenants, agreements and other obligations of
the Corporation to the Bondholders shall be discharged and satisfied.

2. Bonds or coupons or interest installments for the payment or redemption of which moneys shall have
been set aside and shall be held in trust by the Trustee or any Paying Agent (through deposit by the Corporation
of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be
deemed to have been paid within the meaning and with the effect expressed in paragraph 1 above. All Outstanding
Bonds of any Series and all coupons appertaining to such Bonds shall, prior to the maturity or redemption
date thereof, be deemed to have been paid within the meaning and with the effect expressed in such
paragraph 1 above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the
Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish as
provided in Article IV of the Resolution notice of redemption on said date of such Bonds, (b) there shall have
been deposited with the Trustee either moneys in an amount which shall be sufficient, or direct obligations of
the United States of America the principal of and the interest on which, when due, will provide moneys which,
together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay, when
due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and
prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are
not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given
the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice,
at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the
Holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee
and that said Bonds and coupons are deemed to have been paid in accordance with Section 1401 of the Reso-
lution and stating such maturity or redemption date upon which moneys are to be available for the payment of
the principal or Redemption Price, if applicable, on said Bonds. Neither direct obligations of the United States
of America or moneys deposited with the Trustee pursuant to Section 1401 of the Resolution nor principal or
interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be
held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds;
provided that any cash received from such principal or interest payments on such direct obligations of the United
States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent prac-
ticable, be reinvested in direct obligations of the United States of America maturing at times and in amounts
sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on
said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest
earned from such reinvestment as received by the Trustee, shall be paid over to the Corporation free and clear
of any trust, lien or pledge.

(Resolution, Section 1401)

PART 12—AGREEMENT OF THE STATE OF NEW YORK

The State has pledged to and agreed with the holders of the First Resolution Bonds that the State will
not limit or alter the rights vested by the Act in the Corporation to fulfill the terms of any agreements made
with holders of First Resolution Bonds, or in any way impair the rights and remedies of such holders, until
the First Resolution Bonds, together with the interest thereon, with interest on any unpaid installments of
interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such
holders, are fully met and discharged, and in accordance with the authority granted to the Corporation
pursuant to Section 3015 of the Act, the Corporation has included such pledge in the First General Bond
Resolution.

Such pledge and agreement does not, among other things, bind or obligate the State to appropriate
funds for the payment of principal or premium, if any, or interest on the First Resolution Bonds, see
"PART 3—PROVISIONS FOR PAYMENT OF THE BONDS."

PART 13—TRUSTEE

United States Trust Company of New York (the "Trust Company") is the Trustee under the First
General Bond Resolution. Its principal office is located at 45 Wall Street, New York, New York 10005,
and its corporate trust office is located at 130 John Street, New York, New York 10038. The Trustee has accepted the duties and responsibilities imposed upon it by the First and Second General Bond Resolutions and is vested with all of the rights, powers and duties of a trustee appointed by holders of bonds of the Corporation pursuant to the Act. Upon the happening of an "event of default" as defined in the First General Bond Resolution, the Trustee may, and in certain circumstances is required to, proceed to protect and enforce its rights and the rights of the holders of First Resolution Bonds. See "PART 11—SUMMARY OF CERTAIN PROVISIONS OF THE FIRST GENERAL BOND RESOLUTION." In the performance of its duties, the Trustee is entitled to indemnification for any act which would involve it in expense or liability and will not be liable as a result of any action taken in connection with the performance of its duties except for its own negligence or default. The Trustee is protected in acting upon any direction or document believed by it to be genuine and to be signed by the proper party or parties or upon the opinion or advice of counsel. The Trustee may resign at any time upon 60 days written notice to the Corporation and publication thereof. Any such resignation shall take effect on the day specified in the notice, but in the event that a successor has been appointed, the resignation shall take effect immediately.

As of the date hereof, the Trust Company owned $6,133,000 of First Resolution Bonds and $3,540,000 of Second Resolution Bonds for its own account. The Trust Company also acts as Trustee under the Second General Bond Resolution and has performed, and may in the future perform, certain banking services for the Corporation.

PART 14—LEGAL INVESTMENT

The First Resolution Bonds are legal investments, under present provisions of State law, for all public officers and bodies of the State and political subdivisions of the State and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State. Pursuant to the Act, the First Resolution Bonds may be deposited with, and may be received by, all public officers and bodies of the State and all political subdivisions thereof and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

PART 15—TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1978 Series JJ Bonds is exempt from Federal income taxes, and shall at all times be free from State and City income taxes.

PART 16—LEGAL OPINIONS

All legal matters incident to the authorization, issuance and delivery of the 1978 Series JJ Bonds are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. Certain legal matters, including the accuracy and completeness of this Official Statement, will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. Carter, Ledyard & Milburn, New York, New York, have acted as counsel for the Trustee.

Certain matters will be passed upon for the underwriters by their counsel, White & Case, New York, New York.

PART 17—UNDERWRITING

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase the 1978 Series JJ Bonds from the Corporation at a discount equal to % from the initial public offering price. The underwriters may offer to sell such 1978 Series JJ Bonds to certain dealers and others at prices lower
than the initial public offering price and the public offering price may be changed from time to time by the underwriters. The Corporation has agreed to indemnify the underwriters against certain liabilities.

Clearing House Banks which are also underwriters hold substantial amounts of bonds of the Corporation and the City, and such banks may, from time to time during and after the time when the 1978 Series JJ Bonds are being offered to the public, purchase and sell bonds of the Corporation and the City for their own respective accounts or for the accounts of others.

PART 18—FINANCIAL STATEMENTS

The audited financial statements of the Corporation as at June 30, 1977 and the accompanying report thereon by Price Waterhouse & Co., the Corporation's independent accountants, and unaudited financial statements of the Corporation as at September 30, 1977, and the related notes are annexed hereto. On October 12, 1977, pursuant to certificates of the Chairman, the Corporation received and deposited in its accounts $13 million under the First General Bond Resolution and $24 million under the Second General Bond Resolution. Such transaction is not reflected in such financial statements.

*   *   *

Lazard Frères & Co., New York, N. Y., is acting without compensation as financial advisor to the Corporation. Felix G. Rohatyn, Chairman of the Corporation, is a General Partner of such firm.

The references herein to the Act, the Emergency Act, the Tax Law, the Finance Law, the First and Second General Bond Resolutions, and Series Resolutions promulgated thereunder, are summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such Acts, such Laws and the Resolutions for full and complete statements of such provisions. Copies of such Acts, such Laws and the Resolutions are available at the office of the Corporation.

The delivery of this Official Statement has been duly authorized by the Corporation.

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By

Chairman
REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Municipal Assistance Corporation
For The City of New York

In our opinion, the accompanying Statement of Financial Position and the related Debt Service Fund, Capital Reserve Fund and Operating Fund Statements of Transactions present fairly the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1977 and the Debt Service Fund, Capital Reserve Fund and Operating Fund transactions for the period then ended in conformity with generally accepted accounting principles consistently applied. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

60 Broad Street
New York, New York
July 27, 1977,
except as to Note 11,
which is as of
September 15, 1977.

PRICE WATERHOUSE & CO.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

STATEMENTS OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th>June 30, 1977</th>
<th>September 30, 1977 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debt Service</td>
<td>Operating Fund</td>
</tr>
<tr>
<td></td>
<td>Fund</td>
<td>(Note 8)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First General Resolution Bonds</td>
<td>$3,150,610,000</td>
<td>$3,150,610,000</td>
</tr>
<tr>
<td>Second General Resolution Bonds</td>
<td>988,485,000</td>
<td>2,007,715,000</td>
</tr>
<tr>
<td>Total bonds payable (Note 5, Exhibits 1, 2 and 3)</td>
<td>4,139,095,000</td>
<td>5,158,325,000</td>
</tr>
<tr>
<td>Accrued interest on bonds payable</td>
<td>93,371,786</td>
<td>72,844,201</td>
</tr>
<tr>
<td>Vouchers payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances under First Instance Appropriation</td>
<td>494,265</td>
<td>477,126</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>4,232,466,786</td>
<td>3,879,633</td>
</tr>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>50,889</td>
<td>19,468</td>
</tr>
<tr>
<td>Investments in marketable securities, at cost which approximates market value (Note 6)</td>
<td>293,955,187</td>
<td>142,166,826</td>
</tr>
<tr>
<td>Accrued interest on marketable securities</td>
<td>1,872,188</td>
<td>1,640,225</td>
</tr>
<tr>
<td>Capital Reserve Fund assets (Note 4)</td>
<td>167,844,103</td>
<td>368,204,779</td>
</tr>
<tr>
<td>Unexpended portion of allocated funds held by New York State</td>
<td>4,545,803</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>463,722,367</td>
<td>4,565,271</td>
</tr>
<tr>
<td>Net funding requirements (Notes 3, 10 and 11)</td>
<td>$3,768,744,419</td>
<td>($ 685,638)</td>
</tr>
</tbody>
</table>

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MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

DEBT SERVICE AND CAPITAL RESERVE FUND

STATEMENTS OF TRANSACTIONS

<table>
<thead>
<tr>
<th></th>
<th>For the fiscal year ended June 30, 1977</th>
<th>For the three months ended September 30, 1977 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debt Service Fund</td>
<td>Capital Reserve Fund</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Note 4)</td>
</tr>
<tr>
<td>Receipts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal amount of bonds issued</td>
<td>$934,625,000</td>
<td>$2,568,813,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of New York notes received in exchange for Second Resolution Bonds</td>
<td>421,500,000</td>
<td>819,230,000</td>
</tr>
<tr>
<td>First General Resolution Bonds refunded</td>
<td>250,000,000</td>
<td>1,549,583,000</td>
</tr>
<tr>
<td>Discount on bonds issued</td>
<td>11,412,500</td>
<td>3,900,000</td>
</tr>
<tr>
<td>Bonds issued for payment of interest</td>
<td>6,875,000</td>
<td></td>
</tr>
<tr>
<td>Net proceeds from issuance of bonds</td>
<td>244,837,300</td>
<td>196,100,000</td>
</tr>
<tr>
<td>Sales tax allocations received from the State of New York</td>
<td>409,335,086</td>
<td>$102,912,256</td>
</tr>
<tr>
<td>Transfer of net proceeds to Capital Reserve Fund</td>
<td>(196,100,000)</td>
<td>$196,100,000</td>
</tr>
<tr>
<td>Accrued interest received on issuance of bonds</td>
<td>1,145,834</td>
<td>541,667</td>
</tr>
<tr>
<td>Per capita aid received from the State of New York</td>
<td>75,855,000</td>
<td>38,395,000</td>
</tr>
<tr>
<td>Interest income from investments in marketable securities</td>
<td>12,202,644</td>
<td>6,696,883</td>
</tr>
<tr>
<td>Total receipts</td>
<td>743,376,064</td>
<td>148,004,139</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursements to The City of New York from bond proceeds</td>
<td>200,000,000</td>
<td>45,151,989</td>
</tr>
<tr>
<td>Debt Service:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal repayment on First Resolution Bonds</td>
<td>191,200,000</td>
<td>183,000,000</td>
</tr>
<tr>
<td>Principal repayment on Promissory Notes</td>
<td>273,500,000</td>
<td>273,500,000</td>
</tr>
<tr>
<td>Interest on First Resolution Bonds</td>
<td>222,219,328</td>
<td>61,739,301</td>
</tr>
<tr>
<td>Interest on Second Resolution Bonds</td>
<td>57,497,960</td>
<td>27,904,258</td>
</tr>
<tr>
<td>Interest on Promissory Notes</td>
<td>6,127,583</td>
<td>6,127,583</td>
</tr>
<tr>
<td>Principal amount of Second Resolution Bonds purchased and redeemed</td>
<td>31,150,000</td>
<td>31,150,000</td>
</tr>
<tr>
<td>Less—Discount on purchases</td>
<td>(2,704,564)</td>
<td></td>
</tr>
<tr>
<td>Net cost</td>
<td>28,445,436</td>
<td></td>
</tr>
<tr>
<td>Total debt service</td>
<td>778,990,307</td>
<td>89,643,559</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>978,990,307</td>
<td>134,795,548</td>
</tr>
<tr>
<td>Excess (deficiency) of receipts over expenditures:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For the period</td>
<td>(225,614,243)</td>
<td>(131,537,247)</td>
</tr>
<tr>
<td>At beginning of period</td>
<td>438,120,721</td>
<td>202,506,478</td>
</tr>
<tr>
<td>At end of period</td>
<td>202,506,478</td>
<td>70,969,231</td>
</tr>
<tr>
<td>Principal amount of bonds payable</td>
<td>4,139,095,000</td>
<td>5,158,325,000</td>
</tr>
<tr>
<td>Balance</td>
<td>($3,936,588,522)</td>
<td>$167,844,103</td>
</tr>
<tr>
<td>Net funding requirement</td>
<td>$53,768,744,419</td>
<td>$4,719,150,990</td>
</tr>
</tbody>
</table>

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MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

OPERATING FUND

STATEMENTS OF TRANSACTIONS
(Note 8)

<table>
<thead>
<tr>
<th></th>
<th>For the fiscal year ended June 30, 1977</th>
<th>For the three months ending September 30, 1977 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From Municipal Assistance Tax Fund</td>
<td>$13,667,559</td>
<td>$2,244,600</td>
</tr>
<tr>
<td>Interest income</td>
<td>17,023</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,684,582</td>
<td>2,244,600</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt issuance and service:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing and public notices</td>
<td>1,299,405</td>
<td>489,773</td>
</tr>
<tr>
<td>Legal services</td>
<td>1,314,258</td>
<td>535,624</td>
</tr>
<tr>
<td>Trustee and related services</td>
<td>486,921</td>
<td>229,971</td>
</tr>
<tr>
<td>Solicitation fees</td>
<td>7,944,900</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,045,484</td>
<td>1,255,358</td>
</tr>
<tr>
<td>Oversight functions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of the Special Deputy Comptroller (Note 10)</td>
<td>1,236,925</td>
<td>308,576</td>
</tr>
<tr>
<td>Emergency Financial Control Board (Note 10)</td>
<td>479,996</td>
<td>141,775</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,716,921</td>
<td>450,351</td>
</tr>
<tr>
<td>General administration:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel services—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>206,743</td>
<td>56,756</td>
</tr>
<tr>
<td>Other personnel services</td>
<td>147,568</td>
<td>60,515</td>
</tr>
<tr>
<td>Accountancy services</td>
<td>81,614</td>
<td>28,000</td>
</tr>
<tr>
<td>Office rental</td>
<td>59,955</td>
<td>13,599</td>
</tr>
<tr>
<td>General office expenses</td>
<td>21,964</td>
<td>9,227</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>2,679</td>
<td>2,126</td>
</tr>
<tr>
<td>Communications</td>
<td>11,546</td>
<td>8,691</td>
</tr>
<tr>
<td>Printing and distribution</td>
<td>35,551</td>
<td>20,720</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>567,620</td>
<td>199,634</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>13,330,025</td>
<td>1,905,353</td>
</tr>
<tr>
<td>Excess of receipts over expenditures for the period</td>
<td>354,557</td>
<td>339,247</td>
</tr>
<tr>
<td>Excess of receipts over expenditures at beginning of period</td>
<td>331,081</td>
<td>685,638</td>
</tr>
<tr>
<td>Excess of receipts over expenditures at end of period (Notes 3 and 10)</td>
<td>$685,638</td>
<td>$1,024,885</td>
</tr>
</tbody>
</table>
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS

(All data with respect to September 30, 1977 and the period then ended are unaudited)

Note 1—Organization and Functions of the Corporation:

Municipal Assistance Corporation For The City of New York (the "Corporation") is a corporate government agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation. The Corporation was created in June 1975 by the Municipal Assistance Corporation For The City of New York Act (the "Act") for purposes of assisting The City of New York (the "City") in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. To carry out such purposes, the Corporation is empowered, among other things, to issue and sell, and has issued and sold, bonds and notes, and paid or loaned funds received from such sales to the City, and exchanged the Corporation's obligations for those of the City under conditions specified in the Act. Also pursuant to the Act, the Corporation has provided for certain oversight of the City's financial activities.

Note 2—Summary of Significant Accounting Policies:

The Debt Service Fund follows the modified accrual basis of accounting whereby receipts from tax allocations are recorded as received and disbursements to the City are recorded as made. Interest income on investments and interest expense on the Corporation's debt are recorded on an accrual basis. The Corporation's debt is recorded at the principal amount of the obligations outstanding. Original issue discounts have been charged to the Debt Service Fund and become part of net funding requirements. Expenses of debt issuance and service are charged to the Operating Fund as incurred. Amounts required for the payment of debt service due on July 1 are accounted for as if paid on June 30, by which date such amounts are segregated by the Trustee for that purpose. The net funding requirements of the Corporation reported in the Statement of Financial Position do not include future interest requirements.

The Operating Fund accounts have been prepared on the accrual basis of accounting. Receipts are recorded in the Operating Fund as allocations are approved by the State.

In the Statement of Financial Position, as described in Note 7, no recognition has been given to obligations of the City held by the Corporation and interest on such obligations is credited to the Debt Service Fund only as received.

Note 3—Future Funding Requirements:

The Corporation funds its debt service requirements and operating expenses by receipt of allocations from the State's collections of sales taxes formerly imposed by the City and now imposed by the State within the City, stock transfer taxes and per capita aid. Tax and per capita aid amounts not required by the Corporation are available to the City under the terms of the applicable statutes.

Debt service for obligations issued under the First General Bond Resolution is to be paid from funds allocated from the special account in the State's Municipal Assistance Tax Fund, which contains revenues collected, less the State's charges for collection and administration, from the sales tax formerly imposed by the City and now imposed by the State within the City and, if necessary, revenues collected from stock transfer taxes after April 1, 1976. The net sales and stock transfer tax revenues which were collected by the State during the twelve months ended June 30, 1977 and September 30, 1977 amounted to $1,139 million and $1,152 million, respectively. Allocations to the Corporation from the Municipal Assistance Tax Fund are to be made quarterly and at such other times as the Corporation requests. The expenses of the Operating Fund are also funded from this source. Total debt service to maturity, including future interest requirements, to be funded from these sources aggregated $4,817 million for debt outstanding at June 30, 1977 and $5,993 million for debt outstanding at September 30, 1977 after giving effect to the transactions described in Note 11.

Debt service for obligations issued under the Second General Bond Resolution is to be paid principally from funds allocated from the special account in the Municipal Assistance State Aid Fund, which is to contain per capita state aid otherwise payable by the State to the City, after satisfaction of prior claims. Allocations to the Corporation from the Municipal Assistance State Aid Fund are to be made annually. Total per capita aid paid into the special account on June 25, 1977 amounted to $434 million, of which $114 million was required by the Corporation and the remainder was made available to the City. At September 30, 1977 no new funds had been appropriated for per capita aid and as such no funds were on deposit in the Corporation's special account in the Municipal Assistance State Aid Fund. Although per capita aid may, under certain condition, be subject to prior claims by other State or City agencies, at June 30 and September 30,
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS—(Continued)

(All data with respect to September 30, 1977 and the period then ended are unaudited)

1977, no such prior claims had been asserted. In addition, under terms of the applicable statutes, as described in Note 5, the Corporation utilized $6 million of sales tax revenues for purposes of Second Resolution debt service. Total debt service to maturity, including future interest requirements, to be funded principally from per capita aid, aggregated $1,705 million for debt outstanding at June 30, 1977 and $3,585 million for debt outstanding at September 30, 1977 after giving effect to the transactions described in Note 11.

The Corporation certified to and was paid on October 12, 1977, $13.1 million and $24.0 million of sales tax revenues from the Municipal Assistance Tax Fund for First and Second Resolution purposes, respectively.

Funding under both resolutions occurs following certification by the Chairman of the Corporation to the State Comptroller and the Mayor of the City of the amounts required to meet the Corporation's debt service, capital reserve and operating funding requirements. The monies become available from the Municipal Assistance Tax Fund and the Municipal Assistance State Aid Fund only after the State legislature annually appropriates such funds.

Note 4—Capital Reserve Fund:

The Act provides for the establishment of a Capital Reserve Fund to provide for the periodic payment of interest and retirement of principal on the Corporation's bonds. Generally, the Capital Reserve Fund is required to have the following percentages of each calendar year's debt service payment requirements on deposit by January 1 of such year: 1977—25%, 1978—50%, 1979—75%, 1980—100% and thereafter 100% of the succeeding calendar year's debt service payment requirement. The Capital Reserve Fund balance at September 30, 1977 of $368,204,779 comprised $166,471,427 relating to First General Resolution Bonds and $201,733,352 relating to the Second General Resolution Bonds.

The Capital Reserve Fund may be invested on the same basis as described in Note 6, and comprised the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 1977</th>
<th>September 30, 1977</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 3,351</td>
<td>$ 90,891</td>
</tr>
<tr>
<td>Investments in marketable securities of, or guaranteed by, the U. S. Government, at cost which approximates market value</td>
<td>164,651,552</td>
<td>358,896,261</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>3,189,200</td>
<td>9,217,627</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$167,844,103</strong></td>
<td><strong>$368,204,779</strong></td>
</tr>
</tbody>
</table>

Note 5—Bonds and Notes Payable:

Effective August 1, 1977, the State Legislature increased the Corporation's statutory authorization for the issuance of bonds and notes from $5,250 million to $5,800 million aggregate principal amount. This authorization excludes bonds and notes issued to refund outstanding bonds and notes of the Corporation. No new obligations may be issued unless certain debt service coverage ratios specified in the relevant resolution are met, nor may any bond or note of the Corporation mature more than 20 years from the date of original issue. There are to be no obligations issued after June 10, 1980, unless such obligation is a renewal or refunding of an outstanding obligation.

All the bonds payable are general obligations of the Corporation. The Corporation has no taxing power. However, the bonds are entitled to liens, created by pledges under the respective resolutions, on moneys paid into the Debt Service and Capital Reserve Funds, from the special accounts created in the Municipal Assistance Tax Fund and State Aid Fund.

The First General Resolution Bonds have a claim on funds from the sales and stock transfer taxes on deposit in the Municipal Assistance Tax Fund. The Second General Resolution Bonds, in addition to a claim on per capita aid funds available in the special account for the Corporation within the Municipal Assistance State Aid Fund, have a secondary claim on amounts remaining on deposit in the Municipal Assistance Tax Fund, after the certification of the amount required for First General Bond Resolution debt service and Capital Reserve Fund, but before the remaining amounts are released to the City.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS—(Continued)

(All data with respect to September 30, 1977 and the period then ended are unaudited)

Note 6—Investments in Marketable Securities:

Debt service funds transferred to the Corporation in advance of disbursement to bondholders are temporarily invested for the Corporation by United States Trust Company of New York acting as Trustee under the bond resolutions, and the income therefrom is credited to the Debt Service Fund for which such investments are made. Proceeds of debt issues may also be invested by the Trustee in advance of disbursement to the City or transferred to other accounts of the Corporation held by the Trustee.

Such investments may be made only in direct obligations of, or obligations guaranteed by, the State or the United States of America, or in certain other permitted investments, and comprised the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 1977</th>
<th>September 30, 1977</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. Treasury Bill Repurchase Agreements maturing through August 1977</td>
<td>$147,632,000</td>
<td></td>
</tr>
<tr>
<td>U. S. Treasury Bills maturing through December 1977</td>
<td>98,207,475</td>
<td>$43,687,522</td>
</tr>
<tr>
<td>U. S. Treasury Notes maturing through January 1978</td>
<td>48,115,712</td>
<td>98,479,304</td>
</tr>
<tr>
<td>Total Debt Service Fund investments</td>
<td>$293,955,187</td>
<td>$142,166,826</td>
</tr>
</tbody>
</table>

Note 7—New York City Notes Held by the Corporation:

The Act requires that the Corporation receive obligations of the City in connection with all payments made to the City for the purpose of paying its operating expenses and authorizes the Corporation to purchase obligations of the City in connection with payments made to the City to enable it to meet short-term debt service. In addition, as a result of exchange offers made by the Corporation, holders of short-term notes of the City have exchanged such notes for bonds of the Corporation issued under the Second General Bond Resolution. As a result of such transactions, the Corporation held $3,417 million and $4,236 million of such City notes at June 30 and September 30, 1977, respectively. It is the Corporation's present intention that City notes held will not be presented for payment of principal or interest, except for interest on certain Bond Anticipation Notes.

Any funds which may be received by the Corporation as interest or principal payments on the City notes have the effect of either (a) reducing the funding required from the State, thereby making additional funds available for payment by the State to the City, or (b) providing additional funds to the Corporation for disbursements to the City for its operating expenses or short-term debt service requirements.

Because of these circumstances, the City notes held by the Corporation have not been included in the accompanying Statements of Financial Position.

Note 8—Operating Fund:

The Operating Fund includes those expenses of carrying out the Corporation's duties and functions, as authorized by the Act, including the expenses of issuing debt, exercising its oversight responsibilities and the general administration of the Corporation. These expenses are to be funded from the Special Account in the Municipal Assistance Tax Fund. The amount funded for the 1978 fiscal year of the Corporation is $4 million (1977—$14 million).

At June 30, and September 30, 1977, $13,667,559 and $2,244,600, respectively, of funds from the State had been allocated to the Corporation for Operating Fund purposes. At September 30, 1977, $1,830,751 of funds allocated in fiscal year 1978 and $3,335,556 allocated in previous fiscal years had not been expended and were held for the Corporation's account by the State.

Expenditures are processed for payment by the State Department of Audit and Control. The accompanying Statements of Transactions do not include any expenses for the Corporation's financial advisor which is serving without compensation.

In addition, the Corporation partially utilized repayable First Instance Appropriations for the State's fiscal years ended March 1976, 1977 and 1978 of $3 million, $696,137 and $592,500, respectively. The
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS—(Continued)

(amount of these appropriations remaining to be repaid to the State from operating expense apportionments at June 30, were $16,515, $89,750 and $388,000 and at September 30, 1977 $16,515, $42,611 and $418,000 respectively.

Note 9—Litigation:

In November 1975, an action was brought against the Corporation and other defendants seeking to establish that the statutes pursuant to which sales tax and stock transfer tax revenues are appropriated to the Corporation violated certain provisions of the State and Federal Constitutions. In December 1975, motions for summary judgment were granted to the Corporation and other defendants holding that such provisions of the State and Federal Constitutions were not violated by the Act and declaring that the State Tax Commission may collect such taxes and remit the proceeds to the Corporation as prescribed by statute. An appeal of the judgment, which was pending at June 30, 1976, by the plaintiff, has been withdrawn.

In January 1977, two new actions were brought against the Corporation and others raising substantially the same issues as those raised in the action described in the preceding paragraph. In addition, one of these actions raises an additional claim under the Federal Constitution. Summary judgment has been granted the Corporation in both such actions and the plaintiffs appealed these judgments to the New York State Court of Appeals. On April 26, 1977, the New York State Court of Appeals affirmed the decisions in both actions. The plaintiffs in one of the two actions have not appealed. The plaintiffs in the second of the two actions appealed to the Supreme Court of the United States from the decision of the Court of Appeals. On October 3, 1977 the U. S. Supreme Court dismissed the appeal for lack of a substantial federal question.

Note 10—Commitments and Contingencies:

The Corporation's responsibilities, pursuant to the requirements of the Act, for the oversight of the City's financial affairs are substantially similar to the responsibilities of the New York State Office of the Special Deputy Comptroller for The City of New York (the "OSDC") and the Emergency Financial Control Board. To avoid duplication of efforts, the Corporation has contracted with the State Department of Audit and Control to provide certain services for the oversight of the City's financial affairs. The accompanying financial statements include a provision for the Corporation's estimate of the amount payable to the OSDC for services pursuant to the contract through September 30, 1977. OSDC's claim for an additional amount, approximately $300,000, is being discussed currently.

In addition, the Corporation has contracted for other oversight services to be performed by the staff of the Emergency Financial Control Board at an annual cost not to exceed $500,000.

On December 30, 1975, the City executed with the Federal Government a Credit Agreement providing for certain short-term seasonal loans to the City through June 30, 1978. The Corporation is not a party to the agreement, but has agreed to the following as an inducement to the Federal Government to make these loans:

1. Not to unreasonably withhold its consent or approval, if required, to future Federal loans to the City pursuant to such Credit Agreement;

2. To the extent permitted by law to perform its obligations pursuant to the Restructuring Agreement discussed in Note 11, regarding a restructuring of certain of the Corporation's bonds and to take reasonable steps to assure performance of such agreement by others; and

3. Acknowledged that in the future the Corporation may become a borrower on the City's behalf pursuant to the Credit Agreement, and therefore a party to such agreement.

Note 11—Restructuring Agreement:

Effective as of August 17, 1977, the Corporation, certain of the New York City commercial banks, the City Pension funds and the City Sinking funds entered into an agreement (the "Restructuring Agreement") which amends the prior agreement among such parties dated November 26, 1975.

On September 14, 1977, the Corporation completed certain of the transactions provided for by the Restructuring Agreement, including the following: (a) $1.55 billion of the Corporation's bonds held by the City Pension Funds and certain of the New York City commercial banks were exchanged for First Resolu-
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS—(Continued)

(All data with respect to September 30, 1977 and the period then ended are unaudited)

In the resolutions implementing the Restructuring Agreement, the Corporation has covenanted that it will not issue any obligations under the First General Bond Resolution if such issuance would cause maximum annual debt service on all obligations issued under the First General Bond Resolution to exceed $425 million (with certain adjustments with respect to up to $25 million of small denomination notes which may be issued). In addition, under the 1977 Series 8 and Series 9 Resolutions, the Corporation has covenanted to impose an additional coverage test for the issuance of additional Second Resolution Bonds increasing required coverage from 1.2 times to 2 times.
## EXHIBIT 1

### MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

#### BONDS OUTSTANDING
September 30, 1977
(Note 5 and 11)

<table>
<thead>
<tr>
<th>Series</th>
<th>Redemption Date</th>
<th>Interest Rate</th>
<th>June 30, 1977</th>
<th>September 30, 1977 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First General Resolution Bonds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A—(Public)</td>
<td>February 1, 1977-1990</td>
<td>6.5%-9.25%</td>
<td>$511,090,000</td>
<td>$511,090,000</td>
</tr>
<tr>
<td>B—(Public)</td>
<td>1980-1983</td>
<td>10%-11%</td>
<td>212,912,000</td>
<td>212,912,000</td>
</tr>
<tr>
<td>C</td>
<td>1977-1986</td>
<td>6%</td>
<td>165,003,000</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>1977-1986</td>
<td>6%</td>
<td>34,065,000</td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>1977-1986</td>
<td>6%</td>
<td>36,965,000</td>
<td></td>
</tr>
<tr>
<td>G</td>
<td>1977-1985</td>
<td>8.3%-11%</td>
<td>46,265,000</td>
<td>46,265,000</td>
</tr>
<tr>
<td>J—(Public)</td>
<td>1984-1983</td>
<td>11%</td>
<td>1,090,000</td>
<td>1,090,000</td>
</tr>
<tr>
<td>J—(Restructured)</td>
<td>1977-1986</td>
<td>6%</td>
<td>68,005,000</td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>1977-1995</td>
<td>9%-11%</td>
<td>81,050,000</td>
<td>81,050,000</td>
</tr>
<tr>
<td>O</td>
<td>1990-1994</td>
<td>11%</td>
<td>25,000,000</td>
<td>25,000,000</td>
</tr>
<tr>
<td>U</td>
<td>1986-1990</td>
<td>11%</td>
<td>40,000,000</td>
<td>40,000,000</td>
</tr>
<tr>
<td>X</td>
<td>1991-1994</td>
<td>11%</td>
<td>35,000,000</td>
<td>35,000,000</td>
</tr>
<tr>
<td>Y</td>
<td>1981</td>
<td>10%</td>
<td>20,850,000</td>
<td>20,850,000</td>
</tr>
<tr>
<td>BB</td>
<td>1977-1986</td>
<td>6%</td>
<td>1,367,063,000</td>
<td>121,520,000</td>
</tr>
<tr>
<td>CC</td>
<td>1984-1993</td>
<td>10.25%</td>
<td>256,250,000</td>
<td>256,250,000</td>
</tr>
<tr>
<td>EE</td>
<td>1991-1995</td>
<td>7.5%</td>
<td>250,000,000</td>
<td>250,000,000</td>
</tr>
<tr>
<td>FF</td>
<td>1986</td>
<td>7.5%</td>
<td>53,475,000</td>
<td></td>
</tr>
<tr>
<td>GG</td>
<td>1987</td>
<td>8.0%</td>
<td>70,200,000</td>
<td></td>
</tr>
<tr>
<td>HH</td>
<td>1988-1995</td>
<td>7.5%</td>
<td>1,414,738,000</td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>1987</td>
<td>7.5%</td>
<td>11,170,000</td>
<td></td>
</tr>
</tbody>
</table>

Total First Resolution: 3,150,610,000

<table>
<thead>
<tr>
<th>Second General Resolution Bonds:</th>
<th>July 1:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1977-1986</td>
</tr>
<tr>
<td>2</td>
<td>1977-1986</td>
</tr>
<tr>
<td>3</td>
<td>1977-1986</td>
</tr>
<tr>
<td>4</td>
<td>1977-1986</td>
</tr>
<tr>
<td>5</td>
<td>1982-1991</td>
</tr>
<tr>
<td>6</td>
<td>1983-1991</td>
</tr>
<tr>
<td>7</td>
<td>1983-1992</td>
</tr>
<tr>
<td>8</td>
<td>1980-1992</td>
</tr>
<tr>
<td>9</td>
<td>1980-1992</td>
</tr>
</tbody>
</table>

Total Second Resolution: 988,485,000

Total bonds outstanding: $4,139,095,000

F-10
EXHIBIT 2

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS

September 30, 1977
(Notes 3, 4, 5 and 11)
(UNAUDITED)

<table>
<thead>
<tr>
<th>For the fiscal year ended June 30</th>
<th>Capital reserve fund contributions</th>
<th>First General Bond Resolution</th>
<th>Second General Bond Resolution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>— (1)</td>
<td>$245,081,879</td>
<td>$220,454,487</td>
<td>$465,536,366(1)(2)</td>
</tr>
<tr>
<td>1979</td>
<td>$81,543,495(1)</td>
<td>347,572,483</td>
<td>194,971,737</td>
<td>624,087,715(1)</td>
</tr>
<tr>
<td>1980</td>
<td>166,772,452</td>
<td>379,683,289</td>
<td>220,038,862</td>
<td>766,494,603</td>
</tr>
<tr>
<td>1981</td>
<td>(24,890,544)</td>
<td>354,857,270</td>
<td>219,245,312</td>
<td>549,212,038</td>
</tr>
<tr>
<td>1982</td>
<td>(17,491,235)</td>
<td>331,665,945</td>
<td>228,811,337</td>
<td>542,486,047</td>
</tr>
<tr>
<td>1983</td>
<td>(1,752,366)</td>
<td>321,720,585</td>
<td>251,313,800</td>
<td>571,282,019</td>
</tr>
<tr>
<td>1984</td>
<td>(83,178,169)</td>
<td>277,436,719</td>
<td>251,173,813</td>
<td>445,423,636</td>
</tr>
<tr>
<td>1985</td>
<td>136,227,212</td>
<td>303,417,100</td>
<td>249,950,787</td>
<td>689,595,899</td>
</tr>
<tr>
<td>1986</td>
<td>(7,269,556)</td>
<td>369,637,025</td>
<td>250,659,956</td>
<td>613,027,425</td>
</tr>
<tr>
<td>1987</td>
<td>(631,062)</td>
<td>367,307,469</td>
<td>253,342,969</td>
<td>620,019,376</td>
</tr>
<tr>
<td>1988</td>
<td>(17,764,062)</td>
<td>360,332,668</td>
<td>250,689,513</td>
<td>593,258,119</td>
</tr>
<tr>
<td>1989</td>
<td>(1,849,269)</td>
<td>352,041,756</td>
<td>247,940,406</td>
<td>598,132,883</td>
</tr>
<tr>
<td>1990</td>
<td>29,643,569</td>
<td>361,649,025</td>
<td>244,329,638</td>
<td>635,622,232</td>
</tr>
<tr>
<td>1991</td>
<td>(1,336,856)</td>
<td>371,509,969</td>
<td>246,021,462</td>
<td>616,194,757</td>
</tr>
<tr>
<td>1992</td>
<td>(274,649,469)</td>
<td>367,693,112</td>
<td>256,403,888</td>
<td>349,047,531</td>
</tr>
<tr>
<td>1993</td>
<td>(9,518,069)</td>
<td>358,851,419</td>
<td>—</td>
<td>349,333,350</td>
</tr>
<tr>
<td>1994</td>
<td>(8,222,675)</td>
<td>349,879,850</td>
<td>—</td>
<td>341,657,175</td>
</tr>
<tr>
<td>1995</td>
<td>(333,838,175)</td>
<td>172,969,175</td>
<td>—</td>
<td>(160,869,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>($368,204,779)</strong></td>
<td><strong>$5,993,306,738</strong></td>
<td><strong>$3,585,347,967</strong></td>
<td><strong>$9,210,449,926</strong></td>
</tr>
</tbody>
</table>

Notes:

(1) As of September 14, 1977, the Corporation had deposited $196.1 million of proceeds from the 1977 Series 8 bond offering into the First and Second General Resolution Capital Reserve Funds, in the amount of $56.1 million and $140 million, respectively. The Capital Reserve Fund contributions shown above for fiscal years 1978 and 1979 have been reduced by such amounts plus interest income on invested fund balances. Prior to such contributions the Capital Reserve Fund contributions required were $138,172,289 and $143,731,882 for fiscal years 1978 and 1979, respectively.

(2) The fiscal year 1978 funding requirements do not give effect to the monies received on October 12, 1977 (Note 3).
### MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

#### SUMMARY OF DEBT SERVICE PAYMENT REQUIREMENTS

As of September 30, 1977

(Notes 5 and 11)

(Unaudited)

<table>
<thead>
<tr>
<th>For the fiscal year ended</th>
<th>First General Bond Resolution</th>
<th>Second General Bond Resolution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>$187,967,288 (1)</td>
<td>$105,504,827</td>
<td>$293,472,115 (1)</td>
</tr>
<tr>
<td>1979</td>
<td>304,539,182</td>
<td>194,973,738</td>
<td>499,512,920</td>
</tr>
<tr>
<td>1980</td>
<td>390,605,783</td>
<td>194,971,737</td>
<td>585,577,520</td>
</tr>
<tr>
<td>1981</td>
<td>368,760,795</td>
<td>220,038,862</td>
<td>588,799,657</td>
</tr>
<tr>
<td>1982</td>
<td>340,953,745</td>
<td>219,245,313</td>
<td>560,199,058</td>
</tr>
<tr>
<td>1983</td>
<td>322,378,145</td>
<td>228,811,337</td>
<td>551,189,482</td>
</tr>
<tr>
<td>1984</td>
<td>321,063,025</td>
<td>251,313,800</td>
<td>572,376,825</td>
</tr>
<tr>
<td>1985</td>
<td>233,810,412</td>
<td>251,173,813</td>
<td>484,984,225</td>
</tr>
<tr>
<td>1986</td>
<td>373,023,788</td>
<td>249,950,787</td>
<td>622,974,575</td>
</tr>
<tr>
<td>1987</td>
<td>366,250,262</td>
<td>250,659,956</td>
<td>616,910,218</td>
</tr>
<tr>
<td>1988</td>
<td>368,364,675</td>
<td>253,342,969</td>
<td>621,707,644</td>
</tr>
<tr>
<td>1989</td>
<td>352,300,663</td>
<td>250,689,513</td>
<td>602,990,176</td>
</tr>
<tr>
<td>1990</td>
<td>351,782,850</td>
<td>247,940,406</td>
<td>599,723,256</td>
</tr>
<tr>
<td>1991</td>
<td>371,515,200</td>
<td>244,329,638</td>
<td>615,844,838</td>
</tr>
<tr>
<td>1992</td>
<td>371,504,737</td>
<td>246,021,462</td>
<td>617,526,199</td>
</tr>
<tr>
<td>1993</td>
<td>363,881,488</td>
<td>256,403,888</td>
<td>620,285,376</td>
</tr>
<tr>
<td>1994</td>
<td>353,821,350</td>
<td></td>
<td>353,821,350</td>
</tr>
<tr>
<td>1995</td>
<td>345,938,350</td>
<td></td>
<td>345,938,350</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,088,461,738</strong></td>
<td><strong>$3,665,372,046</strong></td>
<td><strong>$9,753,833,784</strong></td>
</tr>
</tbody>
</table>

(1) The debt service payment requirement shown above for the fiscal year ended June 30, 1978, has been reduced by the August 1, 1977 interest payment on First Resolution Bonds.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
NEW YORK, NEW YORK

Dear Sirs:

We have examined a record of proceedings relating to the issuance of $ aggregate principal amount of 1978 Series JJ Bonds (the “1978 Series JJ Bonds”) of the Municipal Assistance Corporation For The City of New York (the “Corporation”), a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended to the date hereof (the “Act”).

The 1978 Series JJ Bonds are authorized and issued under and pursuant to the Act and a General Bond Resolution of the Corporation adopted July 2, 1975, as amended and supplemented to the date hereof (the “General Bond Resolution”) and the 1978 Series JJ Resolution adopted December 1977 (the “Series Resolution”). Said resolutions are herein collectively called the “Resolutions”.

The 1978 Series JJ Bonds are part of an issue of bonds of the Corporation (the “Bonds”) which the Corporation has established and created under the terms of the General Bond Resolution and is authorized to issue from time to time for the corporate purposes of the Corporation authorized by the Act, as then in effect and without limitation as to amount except as provided in the Resolutions or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corporation to limit the issuance of additional Bonds. The 1978 Series JJ Bonds are being issued as Refunding Bonds as defined in the General Bond Resolution.

The Corporation is authorized to issue Bonds, in addition to the 1978 Series JJ Bonds, only upon the terms and conditions set forth in the General Bond Resolution and such Bonds, when issued, shall, with the 1978 Series JJ Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Bond Resolution.

The 1978 Series JJ Bonds are dated January 1, 1978 except as otherwise provided in the Resolutions with respect to fully registered 1978 Series JJ Bonds, will bear interest from January 1, 1978 payable August 1, 1978 and semi-annually thereafter on February 1 and August 1 in each year at the rates per annum and will mature on February 1 in each of the years and in the respective amounts set forth below:

<table>
<thead>
<tr>
<th>Year of Maturity</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
</tr>
</thead>
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The 1978 Series JJ Bonds are issuable either in coupon form in the denomination of $5,000 registrable as to principal only, or in fully registered form without coupons in the denomination of $5,000 or
an integral multiple thereof. Coupon and fully registered 1978 Series JJ Bonds are interchangeable as provided in the Resolutions. Coupon 1978 Series JJ Bonds are lettered JJ and fully registered 1977 Series JJ Bonds are lettered R-JJ, in each case being followed by two digits, being the last two digits of the year in which such 1978 Series JJ Bonds mature. Coupon 1978 Series JJ Bonds are numbered from one upward for each year of maturity and fully registered 1978 Series JJ Bonds are numbered consecutively from one upward in order of issuance for each year of maturity.

The 1978 Series JJ Bonds maturing on or before February 1, 1985, are not subject to redemption prior to maturity.

The 1978 Series JJ Bonds maturing February 1, 1995, are subject to redemption, in part, by lot, commencing February 1, 1989 through application of mandatory Sinking Fund Installments as defined in the General Bond Resolution at the redemption price of 100% of the principal amount of each 1978 Series JJ Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption, all as set forth in the Series Resolution. In addition, such 1978 Series JJ Bonds are subject to redemption on and after February 1, 1988, as a whole on any date or in part by lot, on any interest payment date, at the redemption prices (expressed as a percentage of the principal amount of each 1978 Series JJ Bond or portion thereof to be redeemed), plus accrued interest, if any, to the date of such redemption, as set forth in the Series Resolution.

Chapters 168 and 169 of the Laws of 1975, as amended to the date hereof, each enacted by the People of the State, represented in Senate and Assembly of the State and signed into law by the Governor of the State (the “Enabling Legislation”) provide for, among other things, the insertion of the Act in the Public Authorities Law, creating the Corporation as aforesaid, suspending the power of The City of New York (“The City”) to adopt local laws for the imposition of certain sales and compensating use taxes pursuant to sections 1210 and 1212-A of Article 29 of the Tax Law, constituting Chapter 60 of such Consolidated Laws, and the taxes imposed pursuant to said sections, until all notes and bonds of the Corporation, including the 1978 Series JJ Bonds, and interest thereon have been fully paid and discharged, adding a new section 92-d to Article 6 of the State Finance Law constituting Chapter 56 of such Consolidated Laws, establishing a municipal assistance tax fund (the “Assistance Fund”) and a special account for the Corporation within the Assistance Fund (the “Special Account”), adding a new section 1107 to Article 28 of said Tax Law imposing sales and compensating use taxes in The City at a rate of four percent (4%) on certain items therein described and at a rate of six percent (6%) on the sale of certain parking services (the “Sales Tax”), the revenues derived from which, less such amounts as the Commissioner of Taxation and Finance determines to be necessary for reasonable costs in administering, collecting and distributing such taxes, are required to be paid into the Special Account together with, after deducting such costs, such amounts as may be required under the Enabling Legislation to be transferred from the Stock Transfer Tax Fund established by section 92-b of Article 6 of said State Finance Law, into which the revenues derived from a tax imposed by Article 12 of the Tax Law (the “Stock Transfer Tax”) are deposited.

We are of the opinion that:

1. The Corporation is duly created and validly exists as a corporate governmental agency and instrumentality of the State constituting a public benefit corporation under the laws of the State, including the Constitution of the State and the Act, with the good right and lawful authority and power to adopt the Resolutions, to issue the Bonds including the 1978 Series JJ Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1978 Series JJ Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the General Bond Resolution and is authorized and permitted by the General Bond Resolution. The Resolutions have been duly and lawfully adopted by the Corporation and both are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted
affecting creditors’ rights or remedies generally, and no other authorization for the Resolutions is required. The Resolutions create the valid pledge and lien which they purport to create of the revenues, monies, securities and funds held or set aside under the Resolutions, subject only to the application thereof to the purposes and on the conditions permitted by the Resolutions. The lien created by the Resolutions on such revenues, monies, securities and funds in the Debt Service Fund and the Capital Reserve Fund is and will be prior to all other liens thereon. All revenues, monies, securities and funds, as and when received, in the Debt Service Fund and the Capital Reserve Fund in accordance with the Resolutions, will be validly subjected to the pledge and lien created by the Resolutions.

3. The 1978 Series JJ Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The 1978 Series JJ Bonds are valid and binding general obligations of the Corporation payable as provided in the Resolutions, are enforceable in accordance with their terms, and the terms of the Resolutions, respectively, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors’ rights or remedies generally, and are entitled, together with additional Bonds issued under the General Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the General Bond Resolution and of the Act.

4. Pursuant to the Act and the General Bond Resolution, the Corporation has validly covenanted that the Chairman of the Corporation shall annually, on or before December 1, make and deliver to the Governor and Director of the Budget of the State his certificate stating such sum, if any, as shall be necessary to restore the amount in such Capital Reserve Fund to an amount equal to the Capital Reserve Fund requirement under the General Bond Resolution. Subdivision 4 of Section 3036 of the Act providing for the appropriation and payment to the Corporation for deposit in the Capital Reserve Fund of such sum as shall be so certified by the Chairman, does not constitute an enforceable obligation or debt of the State, the amount of such sum being subject to annual appropriation for such purpose by the Legislature of the State, which is empowered, but is not bound or obligated, to appropriate such amount.

5. Pursuant to the Act and the General Bond Resolution, the Corporation has validly covenanted that the Chairman of the Corporation shall certify to the State Comptroller and the Mayor of The City, the amounts required, pursuant to subdivision 1 of Section 3036 of the Act, for deposit in the funds established by the General Bond Resolution at the time or times and in the manner provided therein, including the amounts required for deposit in the Debt Service Fund to pay all interest and all principal, sinking fund installments, if any, and redemption premium, if any, on notes and bonds maturing or otherwise coming due and for deposit in the Capital Reserve Fund to maintain such Fund at such Capital Reserve Fund requirement. Said subdivision provides for the State Comptroller to pay such amounts to the Corporation for deposit as aforesaid, the source of such payments being the Assistance Fund into which is paid the Sales Tax and, to the extent required, out of the Stock Transfer Tax Fund, the Stock Transfer Tax. The amount of such payments to the Corporation are subject to annual appropriation for such purpose by the Legislature of the State which is empowered, but is not bound or obligated, to appropriate the amount so certified by the Chairman, as aforesaid.

6. The 1978 Series JJ Bonds do not constitute a debt either of the State or The City, and neither the State nor The City shall be liable thereon, nor shall the 1978 Series JJ Bonds be payable out of any funds other than those of the Corporation.

7. The State has the good right and lawful authority:

(a) to suspend the power of The City to adopt local laws for the imposition of certain sales and compensating use taxes and the taxes levied thereunder, in accordance with the Enabling Legislation;

(b) to impose and to increase or decrease the Sales Tax and the Stock Transfer Tax but the State is not bound or obligated to continue the imposition of said taxes;

(c) to establish the Stock Transfer Tax Fund, the Assistance Fund and the Special Account within the Assistance Fund but the State is not bound or obligated to maintain the existence of said funds or account; and
(d) to provide for the appropriation of, and at least annually to appropriate to the Corporation, from the Special Account for the Corporation in the Assistance Fund and from the Stock Transfer Tax Fund, amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make such appropriations.

8. The Corporation, the holders of the Bonds, holders of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Account for the Corporation in the Assistance Fund. We are further of the opinion that, in any suit, action or other proceeding brought by a creditor of The City (whether under Chapter 9 of the Federal Bankruptcy Act or otherwise) asserting a right to any such Taxes, such Stock Transfer Tax Fund or such Special Account superior or equal to the rights of holders of bonds issued under the General Bond Resolution, such creditor will not prevail in the court of final jurisdiction.

9. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, monies on deposit in the Stock Transfer Tax Fund and the Assistance Fund, including the Special Account therein (each such account or fund as presently constituted being a special fund of the State), would not constitute revenues applicable to the General Fund of the State and hence neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such monies to be set apart by the State Comptroller either for the payment of debts of the State or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special Account and the Stock Transfer Tax Fund, do not constitute revenues applicable to the General Fund of the State and hence such collections would likewise not be authorized or mandated to be set apart or applied by the State Comptroller either for the payment of debts of the State or for deposit into such note repayment account.

10. Under existing statutes and court decisions, interest on the 1978 Series JJ Bonds is exempt from Federal income taxes and shall at all times be free from New York State and New York City personal income taxes.

11. No registration with, consent of, or approval by any governmental agency or commission is necessary for the execution and delivery and the issuance of the 1978 Series JJ Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1978 Series JJ Bonds, and the execution and delivery of the 1978 Series JJ Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the executed 1978 Series JJ Bond numbered JJ82-1 and, in our opinion, the form of said Bond and its execution are regular and proper. We have examined the registered form of such bond and, in our opinion, such form is regular and proper.

Very truly yours,
Municipal Assistance Corporation
For the City of New York
New York, New York

Dear Sirs:

The Corporation now has outstanding $212,912,000 in aggregate principal amount of its 1975 Series B Bonds (the "1975 Series B Bonds") issued pursuant to the General Bond Resolution of the Corporation adopted July 2, 1975, as amended and supplemented to the date hereof (the "General Bond Resolution") and a Series Resolution adopted August 15, 1975 (the "1975 Series B Resolution"). In accordance with the provisions of Section 203 and Article XIV of the General Bond Resolution, direct obligations of the United States of America have been placed in trust with United States Trust Company of New York, New York, N. Y. (the "Trustee", as such term is defined in the General Bond Resolution), the principal of and interest on which, when due, will provide monies sufficient to pay when due, the principal or redemption price of and interest until the maturity or earlier redemption date on the 1975 Series B Bonds. The Corporation has directed the Trustee to redeem, by lot, at a redemption price of 100% of the principal amount of each 1975 Series B Bond so redeemed, on February 1, 1982, $66,350,000 in aggregate principal amount of 1975 Series B Bonds maturing February 1, 1983. The amount to be so redeemed represents the amount of the sinking fund installment provided for such date in the 1975 Series B Resolution. The Trustee has been directed to pay the principal on the 1975 Series B Bonds, other than those so called for redemption, on their respective maturity dates. Based on the foregoing, we are of the opinion that the Corporation has duly provided for the payment of the 1975 Series B Bonds in accordance with the provisions of such Section 203 and Article XIV.

Very truly yours.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
1978 Series JJ Bonds

AGREEMENT AMONG UNDERWRITERS

New York, New York
December , 1977

Original Participation
in the Bonds

$..............

Dear Sirs:

1. THE BONDS. Municipal Assistance Corporation For The City of New York (the “Corporation”) proposes to sell the Corporation’s 1978 Series JJ Bonds maturing on such dates and bearing interest at such rates per annum (herein sometimes called the “Bonds”), and otherwise as set forth in the final Official Statement hereinafter referred to.

The undersigned (herein sometimes called the “Representatives”) expect to conclude negotiations with the Corporation for the joint and several purchase of the Bonds from the Corporation by a group of underwriters, including the undersigned (the “Underwriters” or the “Group”), upon the terms and conditions of an agreement (the “Bond Purchase Agreement”), substantially in the form attached hereto as Exhibit A, to be entered into among the Corporation and the Representatives, acting on behalf of each of the Underwriters.

Copies of the preliminary Official Statement, dated December , 1977 (the “preliminary Official Statement”), of the Corporation with respect to the Bonds have been and a copy of the final Official Statement, dated December , 1977 (the “final Official Statement”), will be delivered to you.

2. REPRESENTATIVES; BOND PURCHASE AGREEMENT. Each Underwriter hereby designates the undersigned as its Representatives, with the authority and powers herein provided. Each of the Underwriters hereby authorizes the Representatives to enter into and act under the Bond Purchase Agreement for and on behalf of such Underwriter and to take all such action as the Representatives may believe desirable in carrying out the provisions of the Bond Purchase Agreement and this Agreement, including authority to agree to any variation in the terms or performance of the Bond Purchase Agreement and this Agreement which, in the judgment of the Representatives, is not a material variation; provided, however, that if at the Closing Time (as defined in the Bond Purchase Agreement) the Corporation is unable to furnish pursuant to Section 3(b)(3) of the Bond Purchase Agreement a certificate with respect to Section 1(f) of the Bond Purchase Agreement, the Representatives with the consent of Underwriters, including themselves, whose total participations aggregate at least 51% of the aggregate principal amount of the Bonds, may, upon receipt of an opinion from General Counsel for the Corporation and Bond Counsel referred to in the Bond Purchase Agreement to the effect that the issues involved in any pending or threatened litigation are without substance and the contentions of the plaintiffs therein are without merit, consent to modification of such certificate. The Bond Purchase Agreement will constitute the joint and several obligation of each Underwriter to accept and pay for the Bonds and the liabilities of each of the Underwriters as among themselves will be as provided in this Agreement.

The account established hereby will be an undivided account, and each member thereof will be liable for its proportionate share of all unsold Bonds, obligations, liabilities, and expenses of such account, including expenses incurred by the Representatives, based upon its respective participation in the account.
As compensation for services of the Representatives in connection with the purchase, carrying, sale and distribution of the Bonds, each Underwriter agrees to pay to the Representatives an amount ("management fee") equal to % of the aggregate principal amount of the Bonds which it has agreed to purchase from the Corporation. Such compensation shall be treated as an expense of the several Underwriters and shall be charged to their respective accounts on the books of the Representatives.

3. PARTICIPATION. By your acceptance of this Agreement you will be an Underwriter on the terms and conditions provided in the Bond Purchase Agreement and in this Agreement, with an original participation in the Bonds as shown at the head of this Agreement. Subject to the provisions of Paragraphs 5, 7 and 12 hereof, the rights, obligations and liabilities of the Underwriters under the Bond Purchase Agreement, as among themselves, and under this Agreement shall be based upon their respective original participations in the Bonds, except as adjusted below.

The Representatives may at any time, in their discretion, release any Underwriter from its participation, grant participations to new Underwriters, and increase or decrease participations of Underwriters; provided, however, that (a) the participation of any Underwriter shall not be increased by more than 10% without its consent, (b) the participations of all Underwriters shall at all times aggregate an amount equal to at least the aggregate principal amount of the Bonds and (c) participations may be increased, without consent, as provided in Paragraph 7 hereof. In case the participation of any Underwriter is changed, the respective participations, and the rights, obligations and liabilities of the Underwriters under the Bond Purchase Agreement, as among themselves, and hereunder, shall become and be based upon their respective original participations in the Bonds, as so changed.

4. EXECUTION OF BOND PURCHASE AGREEMENT; RELEASE OF OFFERING. It is expected that the Bond Purchase Agreement will be entered into in the near future by the Corporation and the Representatives and that the Bonds will be released for public offering promptly thereafter. The Representatives have advised you of the initial public offering price(s) of the Bonds; the concession(s), if any, to dealers, dealer banks and banks acting as agent (the "Concession"); the takedown(s) to the Underwriters (the "Takedown") and the other terms of the offering. Subject to the provisions of Paragraph 5, the Group shall offer the Bonds for sale at the initial public offering price. As used herein, the term "initial public offering price" shall mean the price set forth in the final Official Statement plus accrued interest, if any. As used herein, the term "public offering price" shall mean the initial public offering price as changed at any time or from time to time by the Representatives pursuant to the provisions of this Agreement.

5. METHOD OF OFFERING. (a) Each Underwriter agrees, in connection with the sale of Bonds by such Underwriter, that it will not confirm the sale of any Bonds confirmed to it or taken up or paid for by it pursuant to the provisions of this Agreement (other than Bonds sold to another Underwriter) unless the confirmation of sale is accompanied or preceded by delivery of a copy of the final Official Statement. Each Underwriter further agrees that no offering or sale of the Bonds will be made by it except to the classes of persons and in the states where such offers and sales may be made as set forth in the Blue Sky Memorandum supplied to you.

(b) No selling group is being formed in connection with the offering of the Bonds. Sales for the account of the Group shall be made only by or through the Representatives. The Representatives shall have the right to reserve for sale and to sell and deliver, for the account of the Group, all or such portion of the Bonds as they may determine to institutions or other retail purchasers at the public offering price and to dealers, dealer banks (including Underwriters) and to banks acting as agent, selected by the Representatives, at the public offering price less all or any part of the Concession. Such dealers (other than banks) shall either be members in good standing of the National Association of Securities Dealers, Inc., or shall otherwise be eligible to receive underwriting discounts and concessions available to such members with respect to underwritings of municipal securities. The Representatives reserve the right to sell Bonds at the public offering price for the account of the Group to institutions or other retail purchasers who may designate certain Underwriters to be credited with a commission, which commission shall not exceed the Takedown and from which commission the Representatives may deduct, in their discretion, any expenses
incurred by them directly attributable to such sales. The Representatives shall have the right to reserve all such portion of the Bonds as they may determine for sale to Underwriters at the public offering price less the Takedown.

Any resale of such Bonds shall be made by such Underwriter solely for its own account and not for or on behalf of the Representatives or the Group or of any other member thereof. Any of the Underwriters may reallocate all or any part of the Concession on sales to dealers, dealer banks and banks acting as agent, and may reallocate all or any part of the Takedown on sales to any other Underwriter. After the initial public offering of the Bonds the Representatives shall be authorized, in their discretion, to vary the initial public offering of the Bonds, the Concessions, and the Takedown. Each Underwriter may also have Bonds confirmed to it as hereinafter provided.

(c) Each Underwriter agrees to make a bona fide public offering of all Bonds confirmed to it by the Representatives at the public offering price in effect at the time of such confirmation, and during the term of this Agreement and prior to the termination of the offering provisions of this Paragraph 5 to offer all other Bonds acquired by it at not less than the public offering price in effect at the time of such offers and to abide by all other terms of offering from time to time in effect.

(d) Unless on the release of the Bonds for public offering the Representatives shall confirm to the Underwriters all the Bonds not reserved pursuant to this Paragraph 5, orders will be accepted by the Representatives from Underwriters for the Bonds not so confirmed or reserved, on such basis as the Representatives may determine. At such time or times as the Representatives may determine, in their discretion, the Representatives may confirm any unsold Bonds (of such maturity or maturities as the Representatives may determine in their discretion) to the Underwriters in proportion to their respective participations.

6. Payment for and Delivery of the Bonds. The “Good Faith Deposit” required under the terms of the Bond Purchase Agreement will be provided by the Representatives and the cost of providing it will constitute an expense of the Group.

At or before 8:45 A.M., New York time, on the day of the Closing each Underwriter will pay the Representatives by certified or official bank check payable in New York Clearing House funds to the order of Salomon Brothers at One New York Plaza, New York, New York 10004, (a) if requested by the Representatives, an amount to be determined by the Representatives, not exceeding 10% of your participation in the Bonds, to margin your account as an Underwriter (subject to the right of any Underwriter to make its own arrangements for carrying such Bonds pursuant to Paragraph 8 hereof) and (b) the purchase price for all Bonds theretofore confirmed to such Underwriter. Such Bonds will be delivered to such Underwriter as soon as practicable after the Closing Time at the offices of Salomon Brothers at One New York Plaza, New York, New York 10004, or at such other place as shall be designated by the Representatives upon notice to the Underwriters.

At the Closing Time, or at any time or from time to time thereafter, on request, each Underwriter will take up for carrying purposes, and pay the Representatives for, any Bonds which such Underwriter may be or become liable to take up and pay for under this Agreement. Any Bonds delivered to such Underwriter with notice that they are delivered for carrying purposes shall during the term of this Agreement be subject to the direction of the Representatives and shall not be sold without their consent. Any payment by an Underwriter under this Paragraph shall be made and delivered to the Representatives, at the offices of Salomon Brothers at One New York Plaza, New York, New York 10004, for the account of the Group, and shall be by certified or official bank check payable in immediately available funds to the order of Salomon Brothers.

7. Default. Default by any one or more of the Underwriters in respect of their joint and several obligations under the Bond Purchase Agreement shall not release any such Underwriter from any of its obligations. In case of such default by one or more Underwriters, the Representatives are authorized to increase and confirm, pro rata (but not limited to any Underwriter's original participation in the Bonds) in
accordance with their pro rata participation in the Bonds with the other non-defaulting Underwriters, the principal amount of Bonds which the non-defaulting Underwriters shall be obligated to purchase from the Corporation. The Representatives are further authorized, but shall not be obligated, to arrange for the purchase by other persons, who may include the Representatives, of all or a portion of the principal amounts of Bonds not taken up by such defaulting Underwriters. In the event any such arrangements are made, the respective principal amounts of Bonds to be purchased by the non-defaulting Underwriters and by any such other person or persons shall be taken as the basis for the underwriting obligations under this Agreement, but this shall not in any way affect the liability of any defaulting Underwriter to the other Underwriters for damages resulting from such default.

As security for each Underwriter's liability hereunder, the Representatives, on behalf of the Group, shall have a first lien upon its participation and all money and other property due such Underwriter under the terms of, or as the result of action taken pursuant to, this Agreement.

8. AUTHORITY OF REPRESENTATIVES; LOANS, ETC. The Representatives shall have full authority to take such action as they may deem advisable in respect to all matters pertaining to this Agreement, the Bond Purchase Agreement, the Blue Sky Memorandum referred to in Section 7 of the Bond Purchase Agreement, the preliminary Official Statement or the final Official Statement and the purchase and distribution of the Bonds, but they shall act in such capacity only as agents for the Underwriters.

Without limiting the generality of the foregoing authorization, the Representatives shall have authority to effect, on behalf of any one or more of the Underwriters, any loans or other arrangements they deem desirable, upon a several basis, to provide for the payment for or carrying of all or any part of the Bonds and to pledge all or any part of the Bonds or the obligations of any one or more of the Underwriters as security therefor and to sign any loan agreement, notes or other instruments in connection therewith, in the name of the Representatives, in the name of any one or more of the Underwriters, the Group or otherwise, as the Representatives may deem advisable, provided that each Underwriter shall have the prior right, at its written request, to make such arrangements for carrying its pro rata portion of such Bonds, and shall carry such Bonds for the coupon thereon. Each Underwriter for whose account any loan is obtained by the Representatives, howsoever evidenced, shall be absolutely and unconditionally obligated directly to the lender for the payment of all moneys borrowed in accordance with the terms of such loan, together with interest thereon, and each Underwriter hereby authorizes the lender to accept instructions from the Representatives in all matters with regard to such loan.

The Representatives shall be under no liability, as Representatives or otherwise, with respect to (a) the issuance, form, genuineness, validity, legality, enforceability or value of, or title to the Bonds, (b) the validity of any instrument under or pursuant to which the Bonds may be issued, (c) any representations made herein or in the Bond Purchase Agreement, (d) the accuracy or completeness of any preliminary or final Official Statement, or any memorandum, brochure, advertisement, or agreement, (e) the delivery of the Bonds or the performance by the Corporation, any Underwriter or others of any agreement on its or their part, or (f) the qualification or registration of the Bonds for sale, or the legality of the Bonds for investment under the laws of any jurisdiction; nor shall the Representatives, as Representatives or otherwise (except for such liability as they may have as Underwriters), be liable under any of the provisions of this Agreement or in or for any matter connected therewith, except for want of good faith, or be under any obligation, either expressed or implied, which is not herein, expressly assumed.

The authority of the Representatives hereunder and under the Bond Purchase Agreement may be exercised jointly or by Salomon Brothers on behalf of the Representatives.

9. STABILIZATION. Each Underwriter authorizes the Representatives in their discretion and for the account of the Group to overalot Bonds and to purchase and sell Bonds for long or short account, in such amounts, at such prices, on such terms and in such manner as they may determine. Each Underwriter authorizes the Representatives in their discretion and for the account of the Group to cover any short position, or sell any long position, created pursuant hereto, in such amounts, at such prices, on such terms and in such manner as they may determine. At no time shall the net commitment of the Group pursuant
to this Paragraph 9 exceed 15% of the aggregate principal amount of the Bonds. The Representatives, shall have full discretionary power to pay such commissions in connection with such purchases and sales as they may deem proper and to charge such commissions on purchases and sales effected by them as they may determine.

10. EXPENSES. All expenses incurred in the preparation, purchase, sale and delivery of the Bonds will be paid by the Corporation to the extent set forth in the Bond Purchase Agreement. Expenses to be borne by the Underwriters pursuant to the Bond Purchase Agreement, other than the management fee, shall be paid by the Representatives for the account of the Group. No Underwriter other than the Representatives may incur any expense for the account of the Group without the consent of the Representatives.

11. TERMINATION AND SETTLEMENT. Except as otherwise provided herein, or as a result of the termination of the Bond Purchase Agreement, this Agreement shall terminate at the close of business on the 30th day after the Closing Time. The Representatives, however, in their discretion and by notice to the Underwriters, may terminate this Agreement at any earlier date or may extend it for such additional period or periods, as they may determine, not to exceed 60 days in the aggregate from the Closing Time. Prior to such termination, the Representatives, in their discretion and by notice to the Underwriters, may terminate the effectiveness of any of the offering provisions contained in Paragraph 5 hereof. The termination of this Agreement, whether at the request of the Representatives or otherwise, shall not terminate or affect any accrued obligation or liability hereunder, including, without limitation, obligations or liabilities of the Underwriters to take up and pay for any Bonds.

Within a reasonable time after the termination of this Agreement, each Underwriter shall be paid or charged with its pro rata portion (herein provided for) of the management fee and with its share of the net profit or loss of the Group, except that interest received on the Bonds shall be divided or apportioned in accordance with the proportion of the funds contributed by each Underwriter pursuant to Paragraph 8 hereof. Determination, apportionment and distribution or charge by the Representatives of such profits and losses shall be conclusive upon the Underwriters, and the Representatives may withhold from distribution such amount as they deem advisable to cover additional expenses. The Representatives shall not be accountable for any interest on funds at any time in their hands and such funds may be held with their general funds. Notwithstanding any other provisions of this Agreement, each Underwriter shall remain liable for its pro rata portion of any tax which may at any time or from time to time be assessed against it or the other Underwriters as a group or otherwise.

Notwithstanding any settlement on the termination of this Agreement, each Underwriter agrees to pay its underwriting proportion of (i) all expenses incurred by the Representatives in investigating or defending against any claim or proceeding which is asserted or instituted by any party (including any governmental or regulatory body) other than an Underwriter based on the claim that the Underwriters constitute an association, unincorporated business or other separate entity or relating to the preliminary Official Statement or to the final Official Statement (or any amendment or supplement thereto) and (ii) any liability incurred by the Representatives in respect of any such claim or proceeding, whether such liability shall be as a result of a judgment or as a result of any settlement agreed to by the Representatives, other than any such liability as to which the Representatives receive indemnity.

12. INDEMNIFICATION AND RELATED MATTERS. (a) You agree to indemnify and hold harmless the Representatives, each other Underwriter and each person, if any, who controls any Representative or other Underwriter within the meaning of the Securities Exchange Act of 1934 against any and all losses, claims, damages or liabilities, joint or several (or actions of any nature whatsoever in respect thereof), to which they or any of them may become subject insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based on the giving of unauthorized information or the making of unauthorized representations by you in breach of the provisions of Paragraph 13 hereof, or arise out of or are based upon the absence of authority on your part or participate as an Underwriter or to execute, to consummate the transactions contemplated in, or to perform, this Agreement or the Bond Purchase
Agreement, or the breach or violation of the law of any jurisdiction which restricts, limits or prohibits such execution, consummation or performance by you, and you agree to reimburse each such indemnified party or parties for any legal or other expenses whatsoever reasonably incurred by it or them (including, but not limited to, fees and disbursements of counsel) in connection with investigating, preparing or defending any such loss, claim damage, liability or action.

(b) In the event that any time any claim or claims shall be asserted against any one or more of the Representatives, as Representatives or otherwise, involving the Underwriters generally (other than claims for which there shall be a right of indemnification pursuant to Paragraph 12(a) hereof and for which such right has not been held to be unavailable by a court of competent jurisdiction) relating to the offering and sale of the Bonds or any of the transactions contemplated by this Agreement or the Bond Purchase Agreement, the Representatives shall be authorized to make such investigation, to retain such counsel and to take such other action as they shall deem necessary or desirable under the circumstances, including settlement of any such claim or claims if such course of action shall be recommended by counsel retained by them. You agree to pay to the Representatives, at their request, your proportion (based on your respective participation in the Bonds) of all expenses incurred by them (including, but not limited to the fees and disbursements of counsel so retained) in connection with investigating, preparing or defending against such claim or claims and your proportion (based on your respective participation in the Bonds) of any liability incurred by any one or more of the Representatives in respect of such claim or claims being asserted against it or them, whether such liability shall be the result of a judgment against it or them or as a result of any settlement thereof.

13. MISCELLANEOUS. Default by any one or more of the Underwriters with respect to its or their obligations under this Agreement shall not release any other Underwriter from its obligations hereunder.

Nothing herein contained or otherwise shall constitute the Group an association or other entity or the Underwriters partners with one another.

This Agreement shall be governed by the laws of the State of New York.

You agree not to give information or make any representations in connection with the purchase and offering of the Bonds other than those contained in the preliminary Official Statement or in the final Official Statement.

The Representatives may advertise the Bonds in such publications and over the names of such Underwriters as the Representatives may determine (except that if an Underwriter expressly requests in writing the omission of its name, the name of such Underwriter shall not appear).

Each Underwriter represents that it is not in violation of, and that it may enter into the commitments (including contingent commitments) contained herein and in the Bond Purchase Agreement without violating, (a) Section 15(c)(3) of the Securities Exchange Act of 1934, (b) any rule relating to financial responsibility imposed by any national securities exchange of which such Underwriter is a member, or (c) any restriction imposed by any such exchange or by any governmental authority. Each Underwriter agrees that it will perform its obligations contained herein in accordance with all applicable rules promulgated by the Municipal Securities Rulemaking Board.

You represent that you have no knowledge of any false or misleading statement or omission from the preliminary Official Statement, and you agree promptly to notify the Representatives and the Corporation if you become aware of any false or misleading statement or omission from the final Official Statement. By acceptance hereof you confirm that you have the authority to execute, to consummate the transactions contemplated in and to perform this Agreement and the Bond Purchase Agreement and that such execution, consummation and performance is not restricted, limited or prohibited by the law of any jurisdiction in effect at the date hereof.

Any notice, order, payment or delivery to be made by the Underwriters to the Representatives hereunder shall be made at the offices of Salomon Brothers, One New York Plaza, New York, New York 10004. Any notice from the Representatives to you hereunder shall be deemed to have been duly given if
deposited in the mail addressed to, or sent by telegram, telex or "Munifacts" telegram to, your address as set forth above; provided, however, that for any limited period, established by the Representatives, any confirmation or other notice to, or receipt of orders for Bonds from, you shall be deemed to have been duly given to or received from you if delivered to or received from any proxy, attorney or agent appointed by you.

This form of Agreement Among Underwriters is being submitted to each Underwriter for execution. If the terms set forth herein meet with your approval, please sign and return to the Representatives, c/o Salomon Brothers, One New York Plaza, New York, New York 10004, the enclosed duplicate copy of this Agreement. Upon receipt of such signed copy and signed copies of the form of this Agreement from other Underwriters whose original participations aggregate 91% of the aggregate principal amount of the Bonds, this Agreement will become effective and constitute a binding agreement in accordance with its terms.

Very truly yours,

Salomon Brothers
The Chase Manhattan Bank (National Association)
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Citibank, N.A.
Morgan Guaranty Trust Company
of New York
Kidder, Peabody & Co. Incorporated
Bache Halsey Stuart Shields Incorporated
Bank of America NT & SA
Bankers Trust Company
Bear, Stearns & Co.
Chemical Bank
The First Boston Corporation
Goldman, Sachs & Co.
 Manufacturers Hanover Trust Company
Smith Barney, Harris Upham & Co.
Incorporated
As Representatives of the Underwriters
By Salomon Brothers

By Municipal Bond Department

Accepted as of the date above written:

...........................................

By ......................................
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
1978 Series JJ Bonds

BOND PURCHASE AGREEMENT

December, 1977

SALOMON BROTHERS
THE CHASE MANHATTAN BANK (National Association)
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

CITIBANK, N.A.
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
KIDDER, PEABODY & CO. INCORPORATED
BACHE HALSEY STUART SHIELDS INCORPORATED
BANK OF AMERICA NT & SA
BANKERS TRUST COMPANY
BEAR, STEARNS & CO.
CHEMICAL BANK
THE FIRST BOSTON CORPORATION
GOLDMAN, SACHS & CO.
MANUFACTURERS HANOVER TRUST COMPANY
SMITH BARNEY, HARRIS UPHAM & CO. INCORPORATED
As Representatives of the Underwriters

c/o Salomon Brothers
One New York Plaza
New York, New York 10004

Gentlemen:

Subject to the terms and conditions herein, the undersigned Municipal Assistance Corporation For
The City of New York (the “Corporation”) hereby confirms its agreement with you and the other
Underwriters named in Schedule I hereto (the “Underwriters”), for whom you are acting as Representatives
(the “Representatives”), with respect to the purchase by the Underwriters, jointly and severally,
from the Corporation, and the sale by the Underwriters, of $ aggregate principal amount of
the Corporation’s 1978 Series JJ Bonds (the “Bonds”), which the Underwriters herein agree to purchase
and which are to be issued pursuant to the General Bond Resolution and the 1978 Series JJ Resolution,
adopted by the board of directors of the Corporation on July 2, 1975 and December , 1977, respectively
(collectively, the “Resolution”).

Pursuant to Article III of the 1978 Series JJ Resolution (the “Trust Provisions”) a portion of the
proceeds of the Bonds will be applied for and toward the refunding of the Corporation’s $212,912,000
in outstanding principal amount of 1975 Series B Bonds (the “1975 Series B Bonds”) issued in the
aggregate principal amount of $275,000,000 pursuant to the First General Bond Resolution and the 1975
Series B Resolution.
Attached hereto is a copy of the final Official Statement of the Corporation including the cover page and exhibits thereto, dated December, 1977, relating to the Bonds (the “final Official Statement”).

SECTION 1. **Representations and Agreements of the Corporation**

The Corporation hereby represents to and agrees with each of the Underwriters that:

(a) The Corporation is a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation created and validly existing under the provisions of the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, each as further amended (the “Act”); it is a purpose of the Corporation to assist The City of New York (the “City”) in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City; and the Act has been validly adopted and is in full force and effect.

(b) A specimen Bond, a copy of this Agreement executed by the Corporation and a copy of the Resolution certified by an appropriate officer of the Corporation shall be delivered to you at or prior to the Closing Time (hereinafter defined).

(c) The information concerning the Corporation and the Bonds in the final Official Statement is true at the time of acceptance hereof by the Representatives in all material respects. The final Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Corporation will apply the proceeds from the sale of the Bonds substantially as set forth in the Resolution and the final Official Statement.

(d) When delivered to and paid for by the Underwriters the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Corporation and will be entitled to the benefits of the Resolution, except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of holders of the Bonds.

(e) The Corporation agrees to cooperate with the Underwriters to register or qualify the Bonds for offer and sale under the securities or “blue sky” laws of such jurisdictions in the United States as the Underwriters may request (it being understood that nothing herein shall require the Corporation to qualify as a foreign corporation or as a dealer in securities or to execute any consent to service of process other than in connection with such qualification or registration).

(f) Except as set forth in the final Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court or public board or body pending (or to the best of the knowledge of the Corporation threatened) against the Corporation or (to the best of the knowledge of the Corporation, no independent investigation having been made) any other person, wherein an unfavorable decision, ruling or finding might in any material respect adversely affect the transactions contemplated by this Agreement or the Trust Provisions, or which in any way might adversely affect provisions for the payment of principal, premium, if any, or interest on the Bonds, the refunding of the 1975 Series B Bonds or the validity of the Bonds, the Resolution, this Agreement, the Trust Provisions or any agreement or instrument to which the Corporation is a party which is required in connection with the consummation of the transactions contemplated hereby.

(g) The execution, delivery and receipt of the final Official Statement, this Agreement, the Bonds and the Resolution, under the circumstances contemplated hereby and by the final Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on the part of the Corporation a breach of, or a default under, any existing law, or administrative regulation,
deed, or order, or any agreement, indenture, mortgage, lease or other instrument to which the Corporation is subject or by which it is bound.

(h) Any certificate signed by any officer of the Corporation and delivered to the Underwriters shall be deemed a representation by the Corporation to each of the Underwriters as to the truth of the statements therein made.

(i) The execution, delivery and performance of this Agreement, the Bonds and the Trust Provisions provided for herein and the refunding of the 1975 Series B Bonds have been duly authorized by proper proceedings and will not contravene any provisions of law or regulation or by-laws of the Corporation or any agreement, decree or instrument binding upon the Corporation or any of its property. Each of this Agreement and the Trust Provisions constitutes a legal, valid and binding agreement of the Corporation enforceable against the Corporation in accordance with its terms, except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of the parties to this Agreement and the Trust Provisions.

(j) Except for liens created by the bonds and notes heretofore issued by the Corporation and by the Resolution and by the Corporation's Second General Bond Resolution, dated November 25, 1975 (the “Second General Bond Resolution”), there is no lien on the revenues or property of the Corporation as of the date of this Agreement and as of the Closing Time there will be no liens on the revenues or property of the Corporation except for the liens created by such bonds and notes and by the Resolution and by the Corporation’s Second General Bond Resolution.

(k) The Corporation hereby agrees to pay punctually the principal, premium, if any, and interest on the Bonds when the same shall become due. To that end the Corporation covenants and warrants that it will take all action and do all things which it may lawfully take and do in order to perform and observe all covenants and agreements on its part to be performed and observed under the Act, this Agreement, the Resolution and the Bonds in order to provide for and to assure payment of the principal, premium, if any, and interest on the Bonds when the same shall become due.

(l) No authorization, consent or approval of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality is or will be necessary for the valid execution, delivery or performance by the Corporation of this Agreement, the Resolution or the Bonds, or if necessary, such authorization, consent, approval, filing or registration has been duly obtained or made.

(m) The financial statements of the Corporation contained in the final Official Statement (i) fairly present the financial position and results of operations of the Corporation as of the dates and for the periods therein set forth and (ii) were prepared in accordance with generally accepted accounting principles. Since September 30, 1977, the date of the most recent financial statements, there has been no material adverse change in the financial position of the Corporation or transactions in the Bond Service Fund, Debt Service Fund, either of the Capital Reserve Funds and Operating Fund established under the Resolution and the Second General Bond Resolution, except as referred to in the final Official Statement.

(n) If during the period commencing on the date hereof and ending at the Closing Time any event affecting the transactions contemplated by this Agreement shall occur which makes untrue any statement of a material fact set forth in the final Official Statement or causes an omission to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and if in the opinion of the Corporation and the Representatives such event requires a supplement or amendment to the final Official Statement, the Corporation at its expense will supplement or amend the final Official Statement in a form and in a manner approved by the Representatives and counsel for the Underwriters.
SECTION 2. Purchase, Sales and Delivery of the Bonds.

On the basis of the representations and agreements herein contained, and subject to the terms and conditions herein set forth, at the Closing Time the Corporation agrees to sell to the Underwriters, and the Underwriters, jointly and severally, agree to purchase from the Corporation, the Bonds for an aggregate purchase price of $__________, plus accrued interest from January 1, 1978 to the date of payment and delivery. The Bonds shall be issued under and secured by the Resolution, to the extent therein provided. The Bonds shall mature and bear the interest rate and be subject to redemption as set forth in the final Official Statement. Payment for the Bonds shall be made by certified or official bank check or checks, in federal funds, payable to the order of the Corporation, at the Closing Time, at the offices of Hawkins, Delafield & Wood, 67 Wall Street, New York, New York. The Closing Time shall be 8:30 A.M., New York time, on January __, 1978, or such other time and place as may be provided in accordance with the provisions of Section 9 hereof or as may otherwise be agreed to by the Representatives and the Corporation. The Bonds shall be delivered in definitive form, as coupon Bonds in the denominations of $5,000 each registrable as to principal only, or Bonds registered as to principal and interest in the denominations of $5,000 each or any integral multiple of $5,000, and shall be available for examination and packaging by the Underwriters not less than 24 hours prior to the Closing Time.

SECTION 3. Conditions of the Underwriters' Obligations.

The Underwriters' obligations hereunder shall be subject to the performance by the Corporation of its obligations and agreements to be performed hereunder at or prior to the Closing Time, to the accuracy of and compliance with the representations and agreements of the Corporation contained herein, as of the date hereof and as of the Closing Time, and to the following conditions:

(a) At the date of this Agreement, certificates reasonably satisfactory in form to you, as Representatives, dated the date of this Agreement, (i) of the Mayor of the City or an appropriate deputy to the effect that the information contained in official reports, statements or other documents made public by or on behalf of the Mayor of the City and referred to in the final Official Statement under the caption “Certain Developments Affecting the City” is true in all material respects or is a fair presentation of the information set forth therein, and (ii) of the acting Executive Director of the Emergency Financial Control Board to the effect that any statements contained under the caption “Certain Developments Affecting the City” with respect to reports issued by the former Executive Director of the Emergency Financial Control Board are true, to the best of the knowledge of such acting Executive Director.

(b) At the Closing Time you shall receive as Representatives:

(1) Opinions, dated the Closing Time, with sufficient copies for each Underwriter, of (i) Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation, in the form attached hereto as Exhibit A, (ii) Hawkins, Delafield & Wood, Bond Counsel, in the forms attached hereto as Exhibits B, C and D and (iii) the Attorney General of the State of New York, in the form attached hereto as Exhibit E, in each case with such changes, and with such annexed opinions of other counsel referred to therein, if any, as counsel for the Underwriters shall reasonably approve.

(2) An opinion of White & Case, counsel for the Underwriters, dated the Closing Time, with sufficient copies for each Underwriter, satisfactory in form and substance to the Representatives with respect to the creation and existence of the Corporation, the adoption of the Resolution, the authorization and issuance of the Bonds, the authorization, execution and delivery by the Corporation of this Agreement, the exemption of the offering and sale of the Bonds from the registration requirements of the Securities Act of 1933, as amended, the exemption of the Resolution from the qualification requirements of the Trust Indenture Act of 1939, as amended, and the status of the Bonds as “municipal securities” under the Securities Exchange Act of 1934, as amended; to the effect that nothing has come to their attention
which would lead them to believe that the final Official Statement (as the same has been there-
tofore supplemented or amended as of the Closing Time) contains any untrue statement of a
material fact or omits to state a material fact necessary to make the statements therein, in light
of the circumstances under which they were made, not misleading; and such other related
matters as the Representatives may reasonably request; and such counsel shall have received
such papers and information as they may reasonably request to enable them to pass upon such
matters.

(3) A certificate, reasonably satisfactory in form to you, as Representatives, of an appro-
priate officer of the Corporation reasonably satisfactory to you, dated the Closing Time, to the
effect that (i) each of the representations of the Corporation set forth in Section 1 hereof is
true, accurate and complete in all material respects as though made with respect to and as of the
Closing Time (with regard to the final Official Statement, such certification shall be based on the
final Official Statement, as the same has been theretofore supplemented or amended as of the
Closing Time); (ii) each of the agreements of the Corporation set forth in Section 1 hereof to
be complied with at or prior to the Closing Time has been complied with as of such time; and
(iii) the Bonds and the Resolution conform in all material respects to the description thereof
in the final Official Statement.

(4) A certificate, reasonably satisfactory in form to you, as Representatives, of the Direc-
tor of the Budget of the State of New York, dated the Closing Time, to the effect that the
information concerning the State of New York in the final Official Statement, as the same has
been theretofore supplemented or amended as of the Closing Time, under the caption “Certain
Developments Affecting the State” is true in all material respects and does not omit any state-
ment of a material fact necessary to make such information therein contained, in the light of the
circumstances under which such information is furnished, not misleading.

(5) A certificate of the Commissioner of Taxation and Finance of the State in the form
attached hereto as Exhibit F, with such changes, if any, as the Representatives shall approve.

(6) Certificates, reasonably satisfactory in form to you, as Representatives, dated the
Closing Time, of (i) the Comptroller of the City, or an appropriate deputy, to the effect that the
information contained in official reports, statements or other documents made public by him
and referred to in the final Official Statement, as the same has been theretofore supplemented
or amended as of the Closing Time, under the caption “Certain Developments Affecting the
City” is true in all material respects or is a fair presentation of the information set forth therein,
(ii) the New York State Special Deputy Comptroller for the City to the effect that any state-
ments contained under such caption with respect to reports issued by him are true and (iii) the
Executive Director of the Emergency Financial Control Board or, if no such director is then in
office, the acting Executive Director of the Emergency Financial Control Board to the effect
that since the date of the certificate of the acting Executive Director of the Emergency Financial
Control Board delivered pursuant to (a)(ii) of this Agreement, nothing has come to his atten-
tion which leads him to believe that the statements contained in the aforementioned certificate
are untrue.

(7) A certificate, dated the Closing Time, of the United States Trust Company of New
York, Trustee under the Resolution, stating that it holds in trust, pursuant to the Trust
Provisions, moneys or direct obligations of the United States of America, the principal of
and interest on which, when due, will provide moneys to pay when due the principal, redemp-
tion price and interest on the 1975 Series B Bonds until their respective maturities or sinking
fund installment dates and that the 1975 Series B Bonds shall be deemed to have been paid
in accordance with Article XIV of the Resolution.
(8) A certificate, reasonably satisfactory in form to you, as Representatives, of an appropriate officer of the Corporation reasonably satisfactory to you, dated the Closing Time, setting forth sufficient facts, estimates and circumstances to support the conclusion, stated in the certificate, that on the date of issue it is not expected that the proceeds of the Bonds will be used in a manner that will cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and stating that to the best of the knowledge and belief of the certifying officer there are no other facts, estimates or circumstances that would materially change such expectation.

(9) An opinion, dated the Closing Time and addressed to the Corporation, of Hawkins, Delafield & Wood, to the effect that, based upon their examination of law and review of the certification by the Corporation provided for in (8) above, they are of the opinion that the facts, estimates and circumstances are sufficiently set forth in such certificate to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and proposed Regulations Section 1.103-13, 1.103-14 and 1.103-15 to support the conclusion that the Bonds will not be arbitrage bonds, and that no matters have come to their attention which make unreasonable or incorrect the representations made in such certificate.

(10) Irrevocable instructions satisfactory to the Trustee, shall have been delivered in accordance with Section 203 of the Resolution to give effect to the Trust Provisions.

(11) Such additional certificates, instruments and other documents as you, as Representatives, may reasonably request to evidence the truth and accuracy, as of the Closing Time, of the representations of the Corporation herein contained and of the final Official Statement (as the same has been theretofore amended or supplemented), and the due performance and satisfaction by the Corporation at or prior to such time of all agreements to be performed and all conditions then to be satisfied by it in connection with the transactions contemplated hereby or by the final Official Statement (as the same has been theretofore amended or supplemented).

(c) The market price of the Bonds, or the market prices of general credit or revenue obligations issued by states or political subdivisions thereof, or the market prices of such revenue obligations of the character of the Bonds, shall not (in the reasonable opinion of the Representatives) have been materially adversely affected by reason of the fact that between the date hereof and the Closing Time:

(1) legislation shall have been enacted by the Congress, or recommended to the Congress for passage by the President of the United States, or introduced and favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or

(2) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, or

(3) an order, ruling or regulation (final, temporary or proposed) shall have been made by the Treasury Department of the United States or the Internal Revenue Service and published in the Federal Register,

with the purpose or effect, directly or indirectly, of imposing Federal income taxation upon such interest as would be received by the holders of the Bonds, or

(4) there shall have been a material adverse change in the national financial economic situation in the United States and there shall have occurred (i) the closing other than in the ordinary course of business of the New York Stock Exchange, Inc. or (ii) the general suspension
of trading on the New York Stock Exchange, Inc. or (iii) the establishment of a general banking moratorium by Federal or New York State authorities.

(d) No order, decree or injunction of any court of competent jurisdiction, and no order, ruling, regulation or administrative proceeding by any governmental body or board, shall have been issued or commenced, and no legislation shall have been enacted by the Congress, or the State of New York, with the purpose or effect of prohibiting the issuance, offering or sale of the Bonds as contemplated hereby or by the final Official Statement.

(e) The Comptroller of the State of New York shall have approved in writing the sale of the Bonds and the terms thereof as provided in this Agreement.

(f) The Government of the United States shall not have made any declaration of war and the United States shall not have become engaged in any intercontinental ballistic or atomic warfare, or other major military hostilities (exclusive of civil war, insurrection or rebellion).

(g) Underwriters which are member banks of the Federal Reserve System shall be authorized under applicable law to underwrite the Bonds. Underwriters which are subject to regulation by the New York State Department of Banking shall be authorized under applicable law to underwrite the Bonds.

(h) At the Closing Time, Price Waterhouse & Co. shall have furnished to the Representatives a letter or letters, dated the Closing Time in the form attached hereto as Exhibit G, with such changes, if any, as the Representatives, shall approve.

(i) There shall not have been a default on or after the date hereof upon the general obligations of the State of New York or any instrumentality, agency or political subdivision thereof.

(j) There shall not have occurred any event of the type referred to in Section 1 (a) hereof which in the reasonable judgment of the Representatives requires or has required an amendment, modification or supplement to the final Official Statement.

Section 4. Conditions of the Corporation's Obligations.

The Corporation's obligations hereunder, other than pursuant to Sections 5, 7 and 10 hereof, are subject to:

(a) the performance by the Underwriters of their obligations hereunder;

(b) the satisfaction of the conditions set forth above in (b)(4), (b)(5), (b)(6), (d), (e), (g), (h), (i), (j) and (7) of Section 3 hereof; and

(c) the receipt by the Underwriters at the Closing Time of the opinions described in (b)(1), (b)(2) and (b)(9) of Section 3 hereof.

Section 5. Deposit.

The Corporation hereby acknowledges receipt of a certified or bank cashier's check payable to the order of the Corporation in New York Clearing House funds in the amount of $1,250,000. In the event of the failure of the Corporation to deliver the Bonds at the Closing Time or if the Corporation shall be unable to satisfy the conditions of the obligations of the Underwriters set forth in this Agreement (unless waived by the Underwriters), or if the obligation of the Underwriters shall be terminated for any reason permitted by this Agreement, the amount of such check shall be returned to the Representatives. In the event that the Underwriters fail (other than for a reason permitted hereunder) to accept delivery and pay for the Bonds at the Closing Time as herein provided, the amount of such check
shall be retained by the Corporation as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as otherwise provided in this Agreement, no party shall have any further right against any other hereunder. Upon acceptance of this offer, such check may be cashed by the Corporation and the proceeds thereof deposited in a special account of the Corporation. Such proceeds may be invested for the exclusive benefit of the Corporation and the amount of such check shall be applied by the Corporation to the aggregate purchase price for the Bonds set forth in Section 2 hereof.

SECTION 6. Representations and Agreements to Survive Delivery.

All representations and agreements of the Corporation shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriters or any person who controls any Underwriter, and shall survive delivery of the Bonds to the Underwriters.

SECTION 7. Payment of Expenses.

The Corporation shall pay all costs and expenses incident to the performance of its obligations under this Agreement including all expenses incident to the delivery of the Bonds to the several Underwriters, the fees and expenses of Bond Counsel and General Counsel for the Corporation, the costs and expenses incident to the preparing and printing of this Agreement, the Official Statement, the Resolution and related documents, and expenses incurred in connection with any securities or “blue sky” law qualifications and the preparation of a memorandum with respect thereto and for any fees charged by investment rating agencies for the rating of the Bonds, it being understood that, except as provided in this Section 7, the Underwriters will pay all their own costs and expenses including fees and expenses of their counsel, the printing of the Agreement Among Underwriters and any advertising and mailing connected with any offering of the Bonds by them; provided, however, that the Corporation shall have no obligation under this Section 7 if the Corporation is not obligated under this Agreement pursuant to Section 4(a) hereof. Nothing herein shall be construed to relieve a defaulting Underwriter from liability for its default.

SECTION 8. Use of Preliminary and Final Official Statement.

The Corporation hereby confirms the authority, and authorizes the Underwriters, to use and make available to prospective and ultimate purchasers of the Bonds the preliminary Official Statement dated December 1977, and authorizes the use of the final Official Statement by the Underwriters in connection with the sale of the Bonds. Each Underwriter agrees, in connection with the sale of Bonds by such Underwriter, that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by delivery of a copy of the final Official Statement.


If the Underwriters shall default in their obligation to purchase the principal amount of Bonds herein agreed to be purchased, and if the Representatives at such time shall notify the Corporation that such default is the result of a failure on the part of one or more of the Underwriters to comply with its or their obligations, then either the Representatives or the Corporation shall have the right to postpone the Closing Time for a single period of not more than three business days (and the Representatives with the consent of the Corporation shall have the right to postpone the Closing Time for an additional single period of seven days) in order that necessary changes and arrangements may be effected by the Representatives and the Corporation to have the Underwriters which shall not have so failed, or one or more other underwriters, take up, in such proportions as the Underwriters may agree and upon the terms herein set forth, the participations of the Underwriter or Underwriters which failed to comply with its or their obligations, whereupon this Agreement shall be carried out accordingly at such postponed Closing Time. The provisions of this Section 9 shall not in any way affect the joint and several obliga-
tions of the Underwriters to take up and pay all of the Bonds or any liability of any Underwriter or Underwriters which failed to comply with its or their obligations to the Underwriters which have not so failed.

Section 10. Indemnification.

To the extent it may legally do so, the Corporation agrees to indemnify and hold harmless each of the Underwriters and each person, if any, who controls any Underwriter against any and all losses, claims, damages and liabilities (i) arising out of any untrue statement of a material fact contained in the final Official Statement, as the same has been supplemented or amended, or the omission therefrom of a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Corporation. In case any claim shall be made or action brought against any Underwriter or person controlling such Underwriter based upon the final Official Statement as aforesaid, in respect of which indemnity may be sought against the Corporation, such Underwriter shall promptly notify the Corporation in writing setting forth the particulars of such claim or action and the Corporation shall assume the defense thereof including the employment of counsel, satisfactory to the Representatives (who shall not, except with the consent of the Representatives, be counsel of the Corporation) and the payment of all expenses. Any Underwriter or any such controlling person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless the employment, and payment by the Corporation, of such counsel has been specifically authorized by the Corporation or unless in the opinion of counsel for the Underwriters, the Underwriters have a defense or defenses not available to the Corporation.

Section 11. Parties in Interest.

This Agreement has been and is made solely for the benefit of the Underwriters and the Corporation and their respective successors, and, to the extent expressed herein, for the benefit of persons controlling any of the Underwriters or the Corporation, and officials of the Corporation, and their respective successors and assigns, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement. The terms “successors” and “assigns” shall not include any purchaser of Bonds from any Underwriter merely because of such purchase.

Any provisions of Article 10 of the Public Authorities Law of the State of New York or in this Agreement which relate to taxes imposed under Article 12 or Section 1107 or 1108 of Article 28 of the Tax Law of the State of New York or to the funds created by Sections 92-b and 92-d of the State Finance Law of the State of New York shall be deemed executory only to the extent of the moneys available to the State of New York in such funds from time to time and no liability on account thereof shall be incurred by the State of New York beyond the moneys available in such funds.

Section 12. Notice.

All communications hereunder shall be in writing and, if sent to the Corporation, shall be mailed, delivered or telegraphed and confirmed to it at Two World Trade Center, New York, New York 10047, with a copy to Paul, Weiss, Rifkind, Wharton & Garrison, 345 Park Avenue, New York, New York 10022; and, if sent to the Underwriters, shall be mailed, delivered or telegraphed and confirmed to the Representatives at the address set forth above.

Section 13. Representation.

In all dealings under this Agreement the Corporation shall be entitled to act and rely upon any statement, request, notice or agreement made or entered into by you jointly, or by Salomon Brothers on
behalf of you as the Representatives, as having been duly made or entered into on behalf of each of the Underwriters.


This Agreement shall be governed by the laws of the State of New York and may not be assigned by the Corporation or the Underwriters.

If the foregoing is in accordance with the Underwriters' understanding of the agreement among the Corporation and the Underwriters, kindly sign and return to the Corporation the enclosed duplicates hereof, whereupon it will constitute a binding agreement among the Corporation and the Underwriters in accordance with its terms.

Yours very truly,

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By

[Seal]

By

Secretary

Accepted and confirmed as of the date first above written:

SALOMON BROTHERS
THE CHASE MANHATTAN BANK (National Association)
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

CITIBANK, N.A.
MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
KIDDER, PEABODY & CO. INCORPORATED
BACHE HALSEY STUART SHIELDS INCORPORATED
BANK OF AMERICA NT & SA
BANKERS TRUST COMPANY
BEAR, STEARNS & CO.
CHEMICAL BANK
THE FIRST BOSTON CORPORATION
GOLDMAN, SACHS & CO.
MANUFACTURERS HANOVER TRUST COMPANY
SMITH BARNEY, HARRIS UPHAM & CO.
INCORPORATED

on behalf of themselves and the other Underwriters named in Schedule I hereto.

By SALOMON BROTHERS

By
SCHEDULE I

To Bond Purchase Agreement among Municipal Assistance Corporation For The City of New York, and the Underwriters referred to therein

________________________

UNDERWRITERS

Salomon Brothers
The Chase Manhattan Bank (National Association)
Merrill Lynch, Pierce, Fenner & Smith
   Incorporated
Citibank, N.A.
Morgan Guaranty Trust Company of New York
Kidder, Peabody & Co. Incorporated
Bache Halsey Stuart Shields Incorporated
Bank of America NT & SA
Bankers Trust Company
Bear, Stearns & Co.
Chemical Bank
The First Boston Corporation
Goldman, Sachs & Co.
Manufacturers Hanover Trust Company
Smith Barney, Harris Upham & Co. Incorporated
Exhibit A

To

Bond Purchase Agreement

[Date]

Salomon Brothers
The Chase Manhattan Bank (National Association)
Merrill Lynch, Pierce, Fenner & Smith
Incorporated

CitiBank, N.A.
Morgan Guaranty Trust Company of New York
Kidder, Peabody & Co. Incorporated
Bache Halsey Stuart Shields Incorporated
Bank of America NT & SA
Bankers Trust Company
Bear, Stearns & Co.
Chemical Bank
The First Boston Corporation
Goldman, Sachs & Co.
Manufacturers Hanover Trust Company
Smith Barney, Harris Upham & Co. Incorporated

As Representatives of the Underwriters
c/o Salomon Brothers
One New York Plaza
New York, New York 10004

Dear Sirs:

We have been requested by our client, Municipal Assistance Corporation For The City of New York, a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation (the "Corporation"), to furnish you our opinion as to the matters herein set forth in connection with the execution of a bond purchase agreement, dated December 1, 1977 (the "Agreement"), by and among the Corporation and each of you as purchasers, and the sale by the Corporation to you thereunder of $ aggregate principal amount of the Corporation's 1978 Series JJ Bonds (the "Bonds").

In this connection, we have examined the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, each as further amended, (the "Act"), the final Official
Statement of the Corporation, dated December 1977, with respect to the Bonds, as amended or supplemented to the date hereof (the “final Official Statement”), the By-laws of the Corporation, records of its corporate proceedings, including the General Bond Resolution and the 1978 Series JJ Resolution adopted by the Board of Directors of the Corporation on July 2, 1975 and on December 1977, respectively (the “Resolutions”), the Agreement and the exhibits attached thereto, and have made such further examination of law and fact as we considered necessary in order to form the opinions herein expressed.

Based on the foregoing, we are of the opinion that:

1. The Corporation is a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation, duly created by and validly existing under the Act, with the right and power under the Act to execute and deliver and to perform its obligations under the Agreement, to adopt the Resolutions and to issue the Bonds thereunder.

2. Under the Act, it is a purpose of the Corporation to assist The City of New York (the “City”) in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City.

3. The execution and delivery of, and the performance of the obligations under, the Agreement and the issuance of the Bonds have been duly authorized by proper corporate proceedings of the Corporation. The Agreement constitutes the legal, valid and binding agreement of the Corporation enforceable in accordance with its terms except as enforceability may be limited by bankruptcy or similar laws validly enacted and applicable to the rights created pursuant to the Agreement. The Resolutions have been duly and lawfully adopted by the Corporation and both are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of the holders of the Bonds, and no other authorization for, or filing or recording of, the Resolutions is required.

4. The Bonds have been duly authorized, executed, authenticated, issued and delivered and constitute legal, valid, binding, direct and general obligations of the Corporation and are entitled to the benefits of the Resolutions except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of holders of the Bonds.

5. The execution, delivery and receipt of the final Official Statement, the Agreement, the Bonds and the Resolutions, under the circumstances contemplated by the Agreement and the final Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on the part of the Corporation a breach of, or a default under, any existing law, court or administrative regulation, decree, order, or any agreement, indenture, mortgage, lease or other instrument, in each such case of which we have knowledge, to which the Corporation is subject or by which it is bound.

6. Except as set forth in the final Official Statement, to the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court or public board or body pending or threatened against the Corporation wherein an unfavorable decision, ruling or finding would in any material respect adversely affect the transactions contemplated by the Agreement or which in any way would adversely affect provisions for the payment of principal or interest on the Bonds or the validity of the Bonds, the Resolutions, the Agreement, or any agreement or instrument to which the Corporation is a party which is used or contemplated for use in connection with consummation of the transactions contemplated by the Agreement.

7. The offering and sale of the Bonds by the Corporation to you, and the resale of the Bonds by you as contemplated by the Agreement and the final Official Statement, are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) of such Act and there is no requirement for the qualification of the Resolutions or any indenture with respect to the Bonds pursuant to the Trust Indenture Act of 1939, as amended. The Bonds constitute “municipal securities” as such term is defined in the Securities Exchange Act of 1934, as amended.
8. In the course of the preparation by the Corporation of the final Official Statement, we participated in numerous conferences and conversations with certain of the Corporation's officials and also consulted on numerous occasions with representatives of certain of you. In this connection, with your concurrence, we did not undertake any independent examination or review of, or otherwise attempt to make any independent verification of, (i) any records or proceedings of, or any factual matters relating to or otherwise involving, the Corporation, the State of New York or any authority, agency or political subdivision thereof or therein, or (ii) any other factual matters contained in the final Official Statement. Accordingly, except with respect to the statements and summaries referred to in paragraph 9 hereof, we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the final Official Statement; it being understood that you are relying on the preparation of the final Official Statement by the Corporation, and certifications of various officials as to the accuracy, completeness and fairness of the statements contained therein. Further we are not in a position to provide, and we hereby expressly disclaim, any commentary or assurances as to the adequacy or accuracy of the financial statements and other financial and statistical data contained in the final Official Statement. Subject to the foregoing limitations with respect to our engagement, no information was disclosed to us in connection with the preparation of the final Official Statement or in our conferences or conversations referred to above which has caused us to believe that the final Official Statement, as of the date thereof and as of the date hereof, contains any untrue statement of material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

9. The statements set forth in the final Official Statement under the headings “Provisions For Payment of the Bonds—Federal Bankruptcy Legislation”, “Certain Developments Affecting the City—Federal Bankruptcy and State Stay Legislation”, “Various Control Programs” and “Litigation” are accurate statements or summaries of the statutory provisions, documents or matters therein set forth.

All opinions rendered herein relating to (i) the effect of the Constitution of the State of New York, state or local finance laws or the refunding of the 1975 Series B Bonds, upon the validity, binding effect or enforceability of the Resolutions, the Agreement or the Bonds or (ii) relating to the effectiveness of the refunding of the 1975 Series B Bonds, are rendered in reliance upon the opinions of Hawkins, Delafield & Wood, Bond Counsel, of even date herewith addressed to the Corporation and delivered to you in accordance with the Agreement, and, although we have made no independent investigation with respect thereto, such opinion is in form and substance satisfactory to us, and we believe that you and we are justified in relying thereon.

Very truly yours,
EXHIBIT B
to
Bond Purchase
Agreement

Hawkins, Delafield & Wood
67 Wall Street, New York 10005

January, 1978

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
New York, New York

DEAR SIRS:

We have examined a record of proceedings relating to the issuance of $ aggregate principal amount of 1978 Series JJ Bonds (the "1978 Series JJ Bonds") of the Municipal Assistance Corporation For The City of New York (the "Corporation"), a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended to the date hereof (the "Act").

The 1978 Series JJ Bonds are authorized and issued under and pursuant to the Act and a General Bond Resolution of the Corporation adopted July 2, 1975, as amended and supplemented to the date hereof (the "General Bond Resolution") and the 1978 Series JJ Resolution adopted December 1977 (the "Series Resolution"). Said resolutions are herein collectively called the "Resolutions".

The 1978 Series JJ Bonds are part of an issue of bonds of the Corporation (the "Bonds") which the Corporation has established and created under the terms of the General Bond Resolution and is authorized to issue from time to time for the corporate purposes of the Corporation authorized by the Act, as then in effect and without limitation as to amount except as provided in the Resolutions or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corporation to limit the issuance of additional Bonds. The 1978 Series JJ Bonds are being issued as Refunding Bonds as defined in the General Bond Resolution.

The Corporation is authorized to issue Bonds, in addition to the 1978 Series JJ Bonds, only upon the terms and conditions set forth in the General Bond Resolution and such Bonds, when issued, shall, with the 1978 Series JJ Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Bond Resolution.

The 1978 Series JJ Bonds are dated January 1, 1978 except as otherwise provided in the Resolutions with respect to fully registered 1978 Series JJ Bonds, will bear interest from January 1, 1978 payable August 1, 1978 and semi-annually thereafter on February 1 and August 1 in each year at the rates per annum and will mature on February 1 in each of the years and in the respective amounts set forth below:

<table>
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<tr>
<th>Year of Maturity</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
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16
The 1978 Series JJ Bonds are issuable either in coupon form in the denomination of $5,000 registra-
ble as to principal only, or in fully registered form without coupons in the denomination of $5,000 or
an integral multiple thereof. Coupon and fully registered 1978 Series JJ Bonds are interchangeable as
provided in the Resolutions. Coupon 1978 Series JJ Bonds are lettered JJ and fully registered 1977
Series JJ Bonds are lettered R-JJ, in each case being followed by two digits, being the last two digits of the
year in which such 1978 Series JJ Bonds mature. Coupon 1978 Series JJ Bonds are numbered from one
upward for each year of maturity and fully registered 1978 Series JJ Bonds are numbered consecutively
from one upward in order of issuance for each year of maturity.

The 1978 Series JJ Bonds maturing on or before February 1, 1985, are not subject to redemption
prior to maturity.

The 1978 Series JJ Bonds maturing February 1, 1995, are subject to redemption, in part, by lot,
commencing February 1, 1989 through application of mandatory Sinking Fund Installments as defined in
the General Bond Resolution at the redemption price of 100% of the principal amount of each 1978
Series JJ Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption,
all as set forth in the Series Resolution. In addition, such 1978 Series JJ Bonds are subject to redemption
on and after February 1, 1988, as a whole on any date or in part by lot, on any interest payment date, at
the redemption prices (expressed as a percentage of the principal amount of each 1978 Series JJ Bond
or portion thereof to be redeemed), plus accrued interest, if any, to the date of such redemption, as set
forth in the Series Resolution.

Chapters 168 and 169 of the Laws of 1975, as amended to the date hereof, each enacted by the People
of the State, represented in Senate and Assembly of the State and signed into law by the Governor of the
State (the “Enabling Legislation”) provide for, among other things, the insertion of the Act in the Public
 Authorities Law, creating the Corporation as aforesaid, suspending the power of The City of New York
(“The City”) to adopt local laws for the imposition of certain sales and compensating use taxes pursuant
to sections 1210 and 1212-A of Article 29 of the Tax Law, constituting Chapter 60 of such Consolidated
Laws, and the taxes imposed pursuant to said sections, until all notes and bonds of the Corporation,
including the 1978 Series JJ Bonds, and interest thereon have been fully paid and discharged, adding a
new section 92-d to Article 6 of the State Finance Law constituting Chapter 56 of such Consolidated Laws,
establishing a municipal assistance tax fund (the “Assistance Fund”) and a special account for the
Corporation within the Assistance Fund (the “Special Account”), adding a new section 1107 to Article 28
of said Tax Law imposing sales and compensating use taxes in The City at a rate of four percent (4%) on
certain items therein described and at a rate of six percent (6%) on the sale of certain parking services (the
“Sales Tax”), the revenues derived from which, less such amounts as the Commissioner of Taxation and
Finance determines to be necessary for reasonable costs in administering, collecting and distributing such
taxes, are required to be paid into the Special Account together with, after deducting such costs, such
amounts as may be required under the Enabling Legislation to be transferred from the Stock Transfer Tax
Fund established by section 92-b of Article 6 of said State Finance Law, into which the revenues derived
from a tax imposed by Article 12 of the Tax Law (the “Stock Transfer Tax”) are deposited.

We are of the opinion that:

1. The Corporation is duly created and validly exists as a corporate governmental agency and
instrumentality of the State constituting a public benefit corporation under the laws of the State, including
the Constitution of the State and the Act, with the good right and lawful authority and power to adopt the
Resolutions, to issue the Bonds including the 1978 Series JJ Bonds thereunder, and to perform the
obligations and covenants contained in the Resolutions and the 1978 Series JJ Bonds. Under the laws of
the State, including the Constitution of the State, and under the Constitution of the United States, the
Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the
subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the
General Bond Resolution and is authorized and permitted by the General Bond Resolution. The
Resolutions have been duly and lawfully adopted by the Corporation and both are in full force and effect
and are valid and binding upon the Corporation and enforceable in accordance with their terms, except as
the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted
affecting creditors' rights or remedies generally, and no other authorization for the Resolutions is required.
The Resolutions create the valid pledge and lien which they purport to create of the revenues, monies,
securities and funds held or set aside under the Resolutions, subject only to the application thereof to the
purposes and on the conditions permitted by the Resolutions. The lien created by the Resolutions on such
revenues, monies, securities and funds in the Debt Service Fund and the Capital Reserve Fund is and will
be prior to all other liens thereon. All revenues, monies, securities and funds, as and when received, in the
Debt Service Fund and the Capital Reserve Fund in accordance with the Resolutions, will be validly
subjected to the pledge and lien created by the Resolutions.

3. The 1978 Series JJ Bonds have been duly and validly authorized and issued by the Corporation in
accordance with the laws of the State, including the Constitution of the State and the Act, and in
accordance with the Resolutions. The 1978 Series JJ Bonds are valid and binding general obligations of
the Corporation payable as provided in the Resolutions, are enforceable in accordance with their terms,
and the terms of the Resolutions, respectively, except as the enforceability thereof may be limited by
bankruptcy, insolvency or similar laws validly enacted affecting creditors' rights or remedies generally, and
are entitled, together with additional Bonds issued under the General Bond Resolution, to the equal
benefit, protection and security of the provisions, covenants and obligations of the General Bond
Resolution and of the Act.

4. Pursuant to the Act and the General Bond Resolution, the Corporation has validly covenanted that
the Chairman of the Corporation shall annually, on or before December 1, make and deliver to the
Governor and Director of the Budget of the State his certificate stating such sum, if any, as shall be
necessary to restore the amount in such Capital Reserve Fund to an amount equal to the Capital Reserve
Fund requirement under the General Bond Resolution. Subdivision 4 of Section 3036 of the Act providing
for the appropriation and payment to the Corporation for deposit in the Capital Reserve Fund of such sum
as shall be so certified by the Chairman, does not constitute an enforceable obligation or debt of the State,
the amount of such sum being subject to annual appropriation for such purpose by the Legislature of the
State, which is empowered, but is not bound or obligated, to appropriate such amount.

5. Pursuant to the Act and the General Bond Resolution, the Corporation has validly covenanted that
the Chairman of the Corporation shall certify to the State Comptroller and the Mayor of The City, the
amounts required, pursuant to subdivision 1 of Section 3036 of the Act, for deposit in the funds established
by the General Bond Resolution at the time or times and in the manner provided therein, including the
amounts required for deposit in the Debt Service Fund to pay all interest and all principal, sinking fund
installments, if any, and redemption premium, if any, on notes and bonds maturing or otherwise coming
due and for deposit in the Capital Reserve Fund to maintain such Fund at such Capital Reserve Fund
requirement. Said subdivision provides for the State Comptroller to pay such amounts to the Corporation
for deposit as aforesaid, the source of such payments being the Assistance Fund into which is paid the
Sales Tax and, to the extent required, out of the Stock Transfer Tax Fund, the Stock Transfer Tax. The
amount of such payments to the Corporation are subject to annual appropriation for such purpose by the
Legislature of the State which is empowered, but is not bound or obligated, to appropriate the amount so
certified by the Chairman, as aforesaid.

6. The 1978 Series JJ Bonds do not constitute a debt either of the State or The City, and neither the
State nor The City shall be liable thereon, nor shall the 1978 Series JJ Bonds be payable out of any funds
other than those of the Corporation.

7. The State has the good right and lawful authority:

(a) to suspend the power of The City to adopt local laws for the imposition of certain sales and
compensating use taxes and the taxes levied thereunder, in accordance with the Enabling Legislation;

(b) to impose and to increase or decrease the Sales Tax and the Stock Transfer Tax but the State
is not bound or obligated to continue the imposition of said taxes;
(c) to establish the Stock Transfer Tax Fund, the Assistance Fund and the Special Account within the Assistance Fund but the State is not bound or obligated to maintain the existence of said funds or account; and

(d) to provide for the appropriation of, and at least annually to appropriate to the Corporation, from the Special Account for the Corporation in the Assistance Fund and from the Stock Transfer Tax Fund, amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make such appropriations.

8. The Corporation, the holders of the Bonds, holders of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Account for the Corporation in the Assistance Fund. We are further of the opinion that, in any suit, action or other proceeding brought by a creditor of The City (whether under Chapter 9 of the Federal Bankruptcy Act or otherwise) asserting a right to any such Taxes, such Stock Transfer Tax Fund or such Special Account superior or equal to the rights of holders of bonds issued under the General Bond Resolution, such creditor will not prevail in the court of final jurisdiction.

9. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, monies on deposit in the Stock Transfer Tax Fund and the Assistance Fund, including the Special Account therein (each such account or fund as presently constituted being a special fund of the State), would not constitute revenues applicable to the General Fund of the the State and hence neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such monies to be set apart by the State Comptroller either for the payment of debts of the State or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special Account and the Stock Transfer Tax Fund, do not constitute revenues applicable to the General Fund of the State and hence such collections would likewise not be authorized or mandated to be set apart or applied by the State Comptroller either for the payment of debts of the State or for deposit into such note repayment account.

10. Under existing statutes and court decisions, interest on the 1978 Series JJ Bonds is exempt from Federal income taxes and shall at all times be free from New York State and New York City personal income taxes.

11. No registration with, consent of, or approval by any governmental agency or commission is necessary for the execution and delivery and the issuance of the 1978 Series JJ Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1978 Series JJ Bonds, and the execution and delivery of the 1978 Series JJ Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the executed 1978 Series JJ Bond numbered JJ82-1 and, in our opinion, the form of said Bond and its execution are regular and proper. We have examined the registered form of such bond and, in our opinion, such form is regular and proper.

Very truly yours,
Hawkins, Delafield & Wood
67 Wall Street, New York 10005

EXHIBIT C to Bond Purchase Agreement

, 1978

Salomon Brothers
The Chase Manhattan Bank (National Association)
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Citibank, N.A.
Morgan Guaranty Trust Company of New York
Kidder, Peabody & Co. Incorporated
Bache Halsey Stuart Shields Incorporated
Bank of America NT & SA
Bankers Trust Company
Bear, Stearns & Co.
Chemical Bank
The First Boston Corporation
Goldman, Sachs & Co.
Manufacturers Hanover Trust Company
Smith Barney, Harris Upham & Co. Incorporated

As representatives of the several Underwriters named in Schedule I of the Bond Purchase Agreement dated December , 1977 with the Municipal Assistance Corporation For The City of New York.

c/o Salomon Brothers
One New York Plaza
New York, New York 10004

Gentlemen:

We are Bond Counsel to the Municipal Assistance Corporation For The City of New York (the “Corporation”) and are this day rendering our final approving opinion (the “Opinion”) relating to the authorization and issuance of the Corporation’s 1978 Series JJ Bonds (the “Bonds”), dated January 1, 1978 and authorized by the General Bond Resolution, adopted by the Corporation on July 2, 1975, and the 1978 Series JJ Bond Resolution, adopted December , 1977. The Opinion is being rendered in connection with the delivery of the Bonds to Salomon Brothers on behalf of the Underwriters named in Schedule I to the Bond Purchase Agreement for the Bonds (the “Bond Purchase Agreement”) by and among you, as representatives of said Underwriters and the Corporation.

In connection with the rendering of the Opinion, we have reviewed records of the acts taken by the Corporation in connection with the authorization, sale and issuance of the Bonds, including a record of proceedings of the Corporation relating to the authorization, execution and delivery of the Bond Purchase Agreement, were present at various meetings in connection therewith and have participated with others in the preparation of various parts of the Official Statement with respect to the Bonds dated December , 1977 (the “Official Statement”).

In connection with the sale of the Bonds, at the request of the Corporation, we participated and assisted as Bond Counsel in the preparation of the Official Statement and have reviewed the information
and representations contained therein. Rendering such assistance involved, among other things, discussions and inquiries concerning various and related subjects, and reviews of and reports on certain documents and proceedings. We also participated in conferences with the board of directors of the Corporation and its officers, agents and employees, the State Comptroller and his deputy, Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel for the Corporation, you and your counsel, White & Case, at which the contents of the Official Statement and related matters were discussed and revised.

The statements set forth in the Official Statement under the headings PROVISIONS FOR PAYMENT OF THE BONDS (other than the statistical and financial information under the headings “Quarterly Collections of Sales and Compensating Use Taxes in the City”, “Monthly Collections of Sales and Compensating Use Taxes in the City” and “Quarterly Collections of Stock Transfer Tax”), BONDS BEING OFFERED, SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION and AGREEMENT OF THE STATE OF NEW YORK are accurate statements or summaries of the statutory provisions, documents or matters therein set forth.

In the course of the preparation of the Official Statement and in rendering the Opinion and this opinion we have received and relied upon the certificate of no-litigation of the Corporation including statements to the effect that, except as noted in the Official Statement, there is no litigation of any nature now 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, any proceedings of the Corporation taken with respect to the issuance thereof, the pledge or application of any revenues, moneys or securities provided for the payment of the Bonds or the existence or powers of the Corporation. In such connection, we have also received and relied upon the opinion of Paul, Weiss, Rifkind, Wharton & Garrison, dated the date hereof, with respect to the absence of litigation against the Corporation. While, except as above stated with respect to information under certain specific headings, we have not undertaken to verify independently and take no responsibility for the correctness or completeness of the statements made in the Official Statement (or in the statistical and financial information and other information excluded above, as to which we express no opinion) we can and do advise you that in the course of our participation in the preparation of the Official Statement and in our review thereof in the light of the discussion, inquiries and conferences referred to above, nothing has come to our attention which would lead us to believe that the Official Statement contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We are further of the opinion that the Bond Purchase Agreement has been duly authorized, executed and delivered by, and constitutes a binding agreement of, the Corporation, enforceable in accordance with its terms.

We are further of the opinion that the issuance and sale to you of the Bonds pursuant to and as contemplated by the Agreement is exempt from registration under the Securities Act of 1933, as amended, and the resale of the Bonds by you would be similarly exempt from registration under the Securities Act of 1933, as amended, to the date hereof, and there is no requirement for the qualification of the Resolutions or any indenture with respect to the Bonds pursuant to the Trust Indenture Act of 1939, as amended; and the Bonds constitute “municipal securities” within the meaning of the Securities Exchange Act of 1934, as amended.

We are further of the opinion that the 1978 Series JJ Bonds are legal investments, under present provisions of New York law, for all public officers and bodies of the State and political subdivisions of the State and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State.

Very truly yours,

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EXHIBIT D

to
Bond Purchase Agreement

Hawkins, Delafield & Wood
67 Wall Street, New York 10005

January , 1978

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
New York, New York

Dear Sirs:

The Corporation now has outstanding $212,912,000 in aggregate principal amount of its 1975 Series B Bonds (the "1975 Series B Bonds") issued pursuant to the General Bond Resolution of the Corporation adopted July 2, 1975, as amended and supplemented to the date hereof (the "General Bond Resolution") and a Series Resolution adopted August 15, 1975 (the "1975 Series B Resolution"). In accordance with the provisions of Section 203 and Article XIV of the General Bond Resolution, direct obligations of the United States of America have been placed in trust with United States Trust Company of New York, New York, N. Y. (the "Trustee", as such term is defined in the General Bond Resolution), the principal of and interest on which, when due, will provide monies sufficient to pay when due, the principal or redemption price of and interest until the maturity or earlier redemption date on the 1975 Series B Bonds. The Corporation has directed the Trustee to redeem, by lot, at a redemption price of 100% of the principal amount of each 1975 Series B Bond so redeemed, on February 1, 1982, $66,350,000 in aggregate principal amount of 1975 Series B Bonds maturing February 1, 1983. The amount to be so redeemed represents the amount of the sinking fund installment provided for such date in the 1975 Series B Resolution. The Trustee has been directed to pay the principal on the 1975 Series B Bonds, other than those so called for redemption, on their respective maturity dates. Based on the foregoing, we are of the opinion that the Corporation has duly provided for the payment of the 1975 Series B Bonds in accordance with the provisions of such Section 203 and Article XIV.

Very truly yours,
PROPOSED OPINION

STATE OF NEW YORK

DEPARTMENT OF LAW

ALBANY 12224

LOUIS J. LEFKOWITZ
ATTORNEY GENERAL

, 1978

MR. FELIX G. ROHATYN
Chairman
Municipal Assistance Corporation
For The City of New York
New York, New York

Dear Mr. Rohatyn:

This is to acknowledge receipt of your letter of , 1978, enclosing the transcript of proceedings of the Municipal Assistance Corporation For The City of New York (herein called the "Corporation") together with other documents relating to the authorization, sale and issuance of the 1978 Series JJ Bonds, dated January 1, 1978 in the principal amount of $ (herein called "the 1978 Series JJ Bonds") by the Corporation to the Underwriters named in Schedule I (herein called the "Underwriters") to the Bond Purchase Agreement, dated December , 1977 between the representatives of the Underwriters and the Corporation (herein called the "Bond Purchase Agreement").

The Corporation is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation, created pursuant to chapters 168 and 169 of the Laws of 1975 (herein referred to as the "Acts"), as amended by Chapters 874 and 875 of the Laws of 1975 and by Chapter of the Laws of 1977.

The 1978 Series JJ Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum shown below:

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 1</td>
<td>$</td>
<td>%</td>
</tr>
<tr>
<td>1982</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td></td>
<td></td>
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<tr>
<td>1984</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I have examined the Constitution and statutes of the State of New York, including the statutes creating the Corporation, together with a record of proceedings relating to the issuance of the 1978 Series JJ Bonds, including the Official Statement, certified copies of the General Bond Resolution, dated July 2, 1975 and the 1978 Series JJ Resolution, dated December , 1977 (herein collectively called the "Resolutions"), and other documents relating to the issuance of such Bonds, and such other documents as I have deemed necessary for the opinion set forth herein.
Based on the foregoing, it is my opinion that:

1. Article 10 of the Public Authorities Law of the State of New York, and the amendments to the Tax Law and the State Finance Law, added by chapter 168 of the Laws of 1975, entitled “An Act to amend the public authorities law, in relation to municipal assistance corporations; to amend the tax law, in relation to the municipal sales and compensating use tax; and to amend the state finance law, in relation to the municipal assistance tax fund”, and Title III of Article 10 of the Public Authorities Law and the amendments to the State Finance Law and the New York City Stabilization Reserve Corporation Act, added by chapter 169 of the Laws of 1975, entitled “An Act to amend the public authorities law, in relation to creating the municipal assistance corporation for the city of New York; to amend the state finance law; in relation to bonds and notes of such corporation; and to amend the public authorities law, in relation to the termination of the authority and existence of the New York city stabilization reserve corporation”, were introduced in the New York State Legislature on June 9, 1975 (S6701-A8599, and S6702-A8600, respectively), were passed in both Senate and Assembly on June 9, 1975, on a Message of Necessity from the Governor and a Home Rule Message from The City of New York, and were approved by the Governor on June 10, 1975. The passage of these bills conforms to the provisions of Article III, § 14 and Article IX, § 2 of the Constitution of the State of New York. I conclude, therefore, that the Acts have been validly enacted and have become law upon the Governor’s approval in accordance with the Constitution and laws of the State of New York and are in full force and effect. By chapters, 874 and 875 of the Laws of 1975 (A. 5 and A. 15, Extraordinary Session), the above referenced Acts were further amended. The amendments passed both Houses of the Legislature, on a Message of Necessity from the Governor, on November 14, 1975. The passage of these Acts conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I conclude, therefore, that the amendments have been validly enacted and have become law upon the Governor’s approval in accordance with the Constitution and laws of the State of New York and are in full force and effect. By Chapter of the Laws of 1977 (A. and S.), the above referenced Acts were further amended. The Amendments passed both Houses of the Legislature, on a Message of Necessity from the Governor, on June , 1977. The passage of these Acts conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I conclude therefore, that the Amendments have been validly enacted and have become law upon the Governor’s approval in accordance with the Constitution and laws of the State of New York and are in full force and effect. By Chapter of the Laws of 1977 (A. and S.), the above referenced Acts were further amended. The Amendment passed both Houses of the Legislature, on a Message of Necessity from the Governor, on June , 1977. The passage of this Act conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I further conclude therefore, that the Amendment has been validly enacted and has become law upon the Governor’s approval in accordance with the Constitution and the laws of the State of New York and are in full force and effect. I further conclude that none of such Acts violate, or conflict with, any terms or provisions of applicable law, including the State Constitution, or applicable regulation.

2. The execution, delivery and performance by the Corporation of, and compliance with the Resolutions and the 1978 Series JJ Bonds, if performed as provided in the Resolutions and in the Bonds, will not result in a violation of or be in conflict with any term or provision of the Acts or any other applicable law, including the Constitution of the State of New York, or regulation of the State of New York, except as may be limited by validly enacted moratorium or bankruptcy legislation.

3. The Corporation has the right and power under the Acts to adopt the Resolutions, and the Resolutions have been duly and lawfully adopted by the Corporation, are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, and no other authorization for the Resolutions is required; and the Resolutions create the valid pledge which they purport to create of the revenues, moneys and securities in the Debt Service Fund and Capital Reserve Fund established by the General Bond Resolution and other moneys and securities referred to therein, subject to the application thereof to the purposes and on the terms and conditions permitted by such Resolutions. All revenues, moneys and securities, as and when received in the Debt Service Fund and
the Capital Reserve Fund in accordance with the Resolutions, will be validly subjected to the pledge and lien created by the Resolutions.

4. As certified to me by the Corporation, the 1978 Series JJ Bonds have been duly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Acts, and in accordance with the Resolutions. The 1978 Series JJ Bonds are valid and binding general obligations of the Corporation payable as provided in the Resolutions, are enforceable in accordance with their terms, respectively, and the terms of the Resolutions, and are entitled, together with additional bonds issued under the General Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the General Bond Resolution and of the Acts.

5. The General Bond Resolution, pursuant to the Acts, provides that the Chairman of the Corporation shall annually, on or before December 1, make and deliver to the Governor and State Budget Director his certificate stating such sum, if any, as shall be necessary to restore the amount in such Capital Reserve Fund to an amount equal to the Capital Reserve Fund requirement under the General Bond Resolution. Subdivision 4 of Section 3036 of the Public Authorities Law, providing for the appropriation and payment to the Corporation for deposit in the Capital Reserve Fund of such sum as shall be so certified by the Chairman, does not constitute an enforceable obligation or debt of the State, the amount of such sum being subject to annual appropriation for such purpose by the State Legislature, which is empowered, but is not bound or obligated, to appropriate such amount.

6. The General Bond Resolution, pursuant to the Acts, provides that the Chairman of the Corporation shall certify to the State Comptroller and the Mayor of The City, the amounts required, pursuant to subdivision 1 of Section 3036 of the Public Authorities Law, for deposit in the funds established by the General Bond Resolution at the time or times and in the manner provided therein, including the amounts required for deposit in the Debt Service Fund to pay all interest and all principal and redemption premium, if any, on notes and bonds maturing or otherwise coming due and for deposit in the Capital Reserve Fund to maintain such Fund at such Capital Reserve Fund requirement. Said subdivision provides for the State Comptroller to pay such amounts to the Corporation for deposit as aforesaid, the source of such payments being the Tax Assistance Fund into which is paid the Sales Tax, and to the extent required, out of the Stock Transfer Tax Fund, the Stock Transfer Tax. The amount of such payments out of the Tax Assistance Fund to the Corporation are subject to annual appropriation for such purposes by the Legislature of the State which is empowered, but is not bound or obligated, to appropriate any such amounts so certified by the Chairman, as aforesaid.

7. The 1978 Series JJ Bonds do not constitute a legally enforceable obligation upon the part of either the State or the City, nor create a debt on behalf of either the State or the City, and neither the State nor the City shall be liable thereon, nor shall the 1978 Series JJ Bonds be payable out of any funds other than those of the Corporation.

8. The State has the lawful authority:

(a) to provide for the appropriation of, and at least annually to appropriate to the Corporation, from the Special Tax Account and from the Stock Transfer Tax Fund, amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make such appropriations;

(b) to establish the Stock Transfer Tax Fund, the Tax Assistance Fund and the Special Tax Account within the Tax Assistance Fund but the State is not bound or obligated to maintain the existence of said funds or accounts;

(c) to suspend the power of the City to adopt local laws for the imposition of certain sales and compensating use taxes and the taxes levied thereunder, in accordance with the Tax Law of the State of New York; and
(d) to impose and to increase or decrease the Municipal Assistance Sales and Compensating Use Tax and the Stock Transfer Tax but the State is not bound or obligated to continue the imposition of said taxes.

9. Under existing statutes and court decisions, interest on the 1978 Series JJ Bonds is exempt from Federal income taxes and shall at all times be free from New York State and New York City personal income taxes.

10. The Legislature appropriated the Municipal Assistance Sales and Compensating Use Tax and the amount transferred from the Stock Transfer Tax Fund to the Corporation for the fiscal year ending March 31, 1978, in the maximum amount of Dollars ($ ) by chapter of the Laws of 1977. The Appropriation Act, “An Act making appropriations for the support of government—State Purposes Object” (S -A, A -A) was introduced in both the Senate and Assembly on January 20, 1976, was passed in the Senate under a Message of Necessity from the Governor on March , 1977. On March , 1977 the bill was transmitted to the Governor and to the Secretary of State and became law on March , 1977, except as to items vetoed by the Governor which do not include the appropriation to the Corporation. The passage of this Act conforms to the provision of Article III, § 14 Article VII, § 4 of the Constitution of the State of New York. I conclude, therefore, that the appropriation has been validly enacted and has become law and is in full force and effect.

This opinion constitutes my full and only opinion as to the Bond Purchase Agreement, dated December , 1977, relative to the 1977 Series JJ Bonds.

Very truly yours,

LOUIS J. LEFKOWITZ
Attorney General
CERTIFICATE OF THE COMMISSIONER
OF TAXATION AND FINANCE

I, James H. Tully, Jr., Commissioner of Taxation and Finance of the State of New York, do HEREBY
CERTIFY as follows:

1. I have reviewed the information contained in the final Official Statement dated December ,
1977, as the same has been heretofore supplemented or amended as of the date hereof (the “Official
Statement”) of the Municipal Assistance Corporation For The City of New York under the sections
captioned “Provisions For Payment of the Bonds—Sales Tax” and “Provisions For Payment of the
Bonds—Stock Transfer Tax.”

2. The information contained in such sections of the Official Statement (except for (i) information
concerning demographic and economic trends or factors, (ii) the statement concerning the comparison of
the increase in sales and compensating use tax and Sales Tax collections to the rate of inflation and (iii)
the reference to the caption “Developments Relating to the Stock Transfer Tax”, with respect to each of
which I express no conclusion) is true in all material respects and does not contain any untrue statements
of a material fact or omit to state any material fact necessary to make the statements therein not
misleading.

3. The tabular data set forth under the charts “Quarterly Collections of Sales and Compensating
Use Taxes in the City” and “Quarterly Collections of Stock Transfer Tax” are accurate in all material
respects and there are no material omissions.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , 1978.

Commissioner of Taxation and
Finance of the State of New York
This draft is furnished solely for the purpose of indicating the form of letter which we would expect to be able to furnish to the Representatives of the Underwriters in response to their request, the matters expected to be covered in the letter, and the nature of the procedures which we would expect to carry out with respect to such matters. The text of the letter itself will depend, of course, upon the results of the procedures, which we would not expect to complete until shortly before the letter is given and in no event before the cutoff date indicated therein.

EXHIBIT G to Bond Purchase Agreement

January 1978

To the Board of Directors of
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
and
Representatives of the Underwriters referred to
in the Official Statement described herein

Dear Sirs:

We have examined the financial statements of Municipal Assistance Corporation For The City of New York (the “Corporation”) as of June 30, 1977, and for the year then ended, included in the Official Statement of the Corporation dated December 1977 (the “Official Statement”); our report with respect thereto is also included in such Official Statement. In connection with the Official Statement, we hereby advise you as follows:

1. We are independent public accountants for the Corporation and as such have examined the Corporation’s Financial Statements for the year ended June 30, 1977 and expressed our opinion thereon dated July 27, 1977, except as to Note 11 which is as of September 15, 1977. We have not examined any financial statements of the Corporation as of any date or for any period subsequent to June 30, 1977; although we have made an examination for the year ended June 30, 1977, the purpose (and therefore the scope) of such examination was to enable us to express our opinion on the financial statements as of June 30, 1977 and for the year then ended. Therefore, we are unable to and do not express any opinion on the unaudited Statement of Financial Position as of September 30, 1977, interim Statements of Transactions for the three-month period ended September 30, 1977 included in the Official Statement, or on the financial position, the Debt Service, Capital Reserve or Operating Fund transactions, or schedules as of any date or for any period subsequent to June 30, 1977.

2. For purposes of this letter we have performed the following procedures:

   A. We have read the Official Statement and the minutes of the meetings of the Board of Directors of the Corporation for the period commencing July 1, 1977 and ending on the date hereof, as set forth in the minute books or made available to us in draft form at the offices of the Corporation at January 1978. Officials of the Corporation have advised us that such minutes represent minutes of all such meetings for such period.

   B. We have made inquiries of certain officials of the Corporation who have responsibility for financial and accounting matters as to whether any matters other than those disclosed in the Financial Statements or the Official Statement had come to their attention which would materially affect the Financial Statements or which, although not affecting the Financial Statements or such disclosures, have caused or are likely to cause any material change, adverse or otherwise, in the financial position or transactions of the Corporation.

   C. We have, with respect to the three-month period ended September 30, 1977:

     (i) Read the unaudited Statement of Financial Position as of September 30, 1977 and unaudited Debt Service Fund, Capital Reserve Fund and Operating Fund statements of transactions for the three-month period ended September 30, 1977 and Exhibits 1, 2 and 3 thereto.
(ii) Made inquiries of certain officials of the Corporation who have responsibility for financial and accounting matters as to whether the unaudited financial statements referred to under 2C(i) are presented fairly in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements included in the Official Statement.

The foregoing procedures do not constitute an examination made in accordance with generally accepted auditing standards. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representation as to the sufficiency of the foregoing procedures for your purposes.

3. Nothing came to our attention as a result of the procedures described in 2C, however, that caused us to believe that the unaudited financial statements described in 2C(i), included in the Official Statement, are not presented fairly in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements.

4A. With respect to the period from October 1, 1977 to November 30, 1977, we have:

(i) Read the unaudited financial statements of the Corporation at November 30, 1977 and for the five months then ended furnished to us by the Corporation, officials of the Corporation having advised us that no such financial statements as of any date or for any period subsequent to November 30, 1977 were available; and

(ii) Made inquiries of certain officials of the Corporation who have responsibility for financial and accounting matters as to whether the unaudited financial statements referred to under 4A(i) are stated on a basis substantially consistent with that of the audited financial statements included in the Official Statement.

B. As mentioned in 4A(i), Corporation officials have advised us that no financial statements as of any date or for any period subsequent to November 30, 1977 are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after November 30, 1977 have, of necessity, been even more limited than those with respect to the period referred to in 2C. We have made inquiries of certain officials of the Corporation who have responsibility for financial and accounting matters as to whether from the period October 1, 1977 to January 1, 1977 there has been any change in: (i) total bonds and notes payable of the Corporation, (ii) the amount of the Debt Service Fund assets and the amounts certified by the Chairman of the Corporation as necessary to be in such Fund and amounts which, because of events subsequent to such certification with respect to bonds issued under the Second General Bond Resolution, are no longer required to be in such Fund; and (iii) the amount of the Capital Reserve Fund and the amounts required by the Municipal Assistance Corporation Act for The City of New York, as amended, (the “Act”) as necessary to be in such Fund.

On the basis of these inquiries and our reading of the minutes as described in 2A, nothing came to our attention as of January 1, 1977 that caused us to believe that: (i) there were any changes in the total bonds and notes payable of the Corporation, except for changes which are disclosed in the Financial Statements or the Official Statement, (ii) the amount of the Debt Service Fund assets was less than the amount certified by the Chairman of the Corporation as necessary to be in such Fund (after deducting amounts which, because of events subsequent to the certification with respect to bonds issued under the Second General Bond Resolution, are no longer required to be in such Fund) and (iii) the amount of the Capital Reserve Fund was less than the amount certified by the Chairman of the Corporation as required by the Act to be in such Fund.

5. In addition to the examination of the Financial Statements and the limited procedures described above, we have, for the purposes of this letter, and at your request, read and performed the following procedures with respect to the table (the “Table”) entitled “Debt Service Payment Requirements and Estimated Coverage Ratios” which appears on page 17 of the Official Statement:

29
A. With respect to the data set forth in columns 1 through 3 of the Table, we reviewed an unaudited calculation sheet which showed (i) the removal of the annual amounts of combined debt service for Series B Bonds from the total annual amounts of debt service on existing First Resolution Bonds and (ii) the addition of the pro forma debt service on the 1978 Series JJ Bonds. Such removal and addition appear to be correctly applied to the debt service amounts.

B. We checked the arithmetic accuracy of the coverage ratios appearing in columns 4 and 5 of the Table by dividing a net revenue amount reported in the Official Statement by the corresponding debt service amount in each year and found them to be correct. The net revenue amount was stated to represent the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax collections (after deducting expenses of administration) by the State for the twelve months ended September 30, 1977</td>
<td>$864,405</td>
</tr>
<tr>
<td>Stock Transfer Tax collections excluding the surcharge (after deducting expenses of administration) by the State for the twelve months ended September 30, 1977</td>
<td>229,992</td>
</tr>
<tr>
<td>Less—The Corporation's current estimate of operating expenses for the current fiscal year ending June 30, 1977</td>
<td>5,500</td>
</tr>
<tr>
<td></td>
<td>$1,088,897</td>
</tr>
</tbody>
</table>

The procedures referred to above do not constitute an examination made in accordance with generally accepted auditing standards. Also, such procedures would not necessarily reveal matters of significance with respect to the comments in such paragraphs. Accordingly, we make no representations as to questions of legal interpretation or as to the sufficiency of such procedures for your purposes. Further, we have addressed ourselves solely to the foregoing data as set forth in the Official Statement and make no representation as to whether additional information may be required to be set forth in the Official Statement to render such data not misleading.

6. This letter is solely for the information of the Board of Directors of the Corporation and for the information of and assistance to the underwriters in conducting and documenting their review of the affairs of the Corporation in connection with the mailing of its Official Statement. This letter is not to be used, circulated, quoted or otherwise referred to within or without the underwriting group for any other purpose, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except the Bond Purchase Agreement between the Corporation and the Underwriters and related closing documents.

Very truly yours,

[PRICE WATERHOUSE & CO.]
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

1978 Series JJ Bonds

BOND PURCHASE AGREEMENT

December 4, 1977

SALOMON BROTHERS
THE CHASE MANHATTAN BANK (National Association)
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

CITIBANK, N.A.
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
KIDDER, PEABODY & CO. INCORPORATED
BACHE HALSEY STUART SHIELDS INCORPORATED
BANK OF AMERICA NT & SA
BANKERS TRUST COMPANY
BEAR, STEARNS & CO.
CHEMICAL BANK
THE FIRST BOSTON CORPORATION
GOLDMAN, SACHS & CO.
MANUFACTURERS HANOVER TRUST COMPANY
SMITH BARNEY, HARRIS UPHAM & CO. INCORPORATED

As Representatives of the Underwriters

c/o Salomon Brothers
One New York Plaza
New York, New York 10004

Gentlemen:

Subject to the terms and conditions herein, the undersigned Municipal Assistance Corporation For The City of New York (the “Corporation”) hereby confirms its agreement with you and the other Underwriters named in Schedule I hereto (the “Underwriters”), for whom you are acting as Representatives (the “Representatives”), with respect to the purchase by the Underwriters, jointly and severally, from the Corporation, and the sale by the Underwriters, of $250,153,000 aggregate principal amount of the Corporation’s 1978 Series JJ Bonds (the “Bonds”), which the Underwriters herein agree to purchase and which are to be issued pursuant to the General Bond Resolution and the 1978 Series JJ Resolution, adopted by the board of directors of the Corporation on July 2, 1975 and December 4, 1977, respectively (collectively, the “Resolution”).

Pursuant to Article III of the 1978 Series JJ Resolution (the “Trust Provisions”) a portion of the proceeds of the Bonds will be applied for and toward the refunding of the Corporation’s $212,912,000 in outstanding principal amount of 1975 Series B Bonds (the “1975 Series B Bonds”) issued in the aggregate principal amount of $275,000,000 pursuant to the First General Bond Resolution and the 1975 Series B Resolution.
Attached hereto is a copy of the final Official Statement of the Corporation including the cover page and exhibits thereto, dated December 1977, relating to the Bonds (the “final Official Statement”).

SECTION 1. Representations and Agreements of the Corporation

The Corporation hereby represents and agrees with each of the Underwriters that:

(a) The Corporation is a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation created and validly existing under the provisions of the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, each as further amended (the “Act”); it is a purpose of the Corporation to assist The City of New York (the “City”) in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City; and the Act has been validly adopted and is in full force and effect.

(b) A specimen Bond, a copy of this Agreement executed by the Corporation and a copy of the Resolution certified by an appropriate officer of the Corporation shall be delivered to you at or prior to the Closing Time (hereinafter defined).

(c) The information concerning the Corporation and the Bonds in the final Official Statement is true at the time of acceptance hereof by the Representatives in all material respects. The final Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Corporation will apply the proceeds from the sale of the Bonds substantially as set forth in the Resolution and the final Official Statement.

(d) When delivered to and paid for by the Underwriters the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Corporation and will be entitled to the benefits of the Resolution, except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of holders of the Bonds.

(e) The Corporation agrees to cooperate with the Underwriters to register or qualify the Bonds for offer and sale under the securities or “blue sky” laws of such jurisdictions in the United States as the Underwriters may request (it being understood that nothing herein shall require the Corporation to qualify as a foreign corporation or as a dealer in securities or to execute any consent to service of process other than in connection with such qualification or registration).

(f) Except as set forth in the final Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court or public board or body pending (or to the best of the knowledge of the Corporation threatened) against the Corporation or (to the best of the knowledge of the Corporation, no independent investigation having been made) any other person, wherein an unfavorable decision, ruling or finding might in any material respect adversely affect the transactions contemplated by this Agreement or the Trust Provisions, or which in any way might adversely affect provisions for the payment of principal, premium, if any, or interest on the Bonds, the refunding of the 1975 Series B Bonds or the validity of the Bonds, the Resolution, this Agreement, the Trust Provisions or any agreement or instrument to which the Corporation is a party which is required in connection with the consummation of the transactions contemplated hereby.

(g) The execution, delivery and receipt of the final Official Statement, this Agreement, the Bonds and the Resolution, under the circumstances contemplated hereby and by the final Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on the part of the Corporation a breach of, or a default under, any existing law, or administrative regulation,
decree, or order, or any agreement, indenture, mortgage, lease or other instrument to which the Corporation is subject or by which it is bound.

(h) Any certificate signed by any officer of the Corporation and delivered to the Underwriters shall be deemed a representation by the Corporation to each of the Underwriters as to the truth of the statements therein made.

(i) The execution, delivery and performance of this Agreement, the Bonds and the Trust Provisions provided for herein and the refunding of the 1975 Series B Bonds have been duly authorized by proper proceedings and will not contravene any provisions of law or regulation or by-laws of the Corporation or any agreement, decree or instrument binding upon the Corporation or any of its property. Each of this Agreement and the Trust Provisions constitutes a legal, valid and binding agreement of the Corporation enforceable against the Corporation in accordance with its terms, except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of the parties to this Agreement and the Trust Provisions.

(j) Except for liens created by the bonds and notes heretofore issued by the Corporation and by the Resolution and by the Corporation's Second General Bond Resolution, dated November 25, 1975 (the "Second General Bond Resolution"), there is no lien on the revenues or property of the Corporation as of the date of this Agreement and as of the Closing Time there will be no liens on the revenues or property of the Corporation except for the liens created by such bonds and notes and by the Resolution and by the Corporation's Second General Bond Resolution.

(k) The Corporation hereby agrees to pay punctually the principal, premium, if any, and interest on the Bonds when the same shall become due. To that end the Corporation covenants and warrants that it will take all action and do all things which it may lawfully take and do in order to perform and observe all covenants and agreements on its part to be performed and observed under the Act, this Agreement, the Resolution and the Bonds in order to provide for and to assure payment of the principal, premium, if any, and interest on the Bonds when the same shall become due.

(l) No authorization, consent or approval of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality is or will be necessary for the valid execution, delivery or performance by the Corporation of this Agreement, the Resolution or the Bonds, or if necessary, such authorization, consent, approval, filing or registration has been duly obtained or made.

(m) The financial statements of the Corporation contained in the final Official Statement (i) fairly present the financial position and results of operations of the Corporation as of the dates and for the periods therein set forth and (ii) were prepared in accordance with generally accepted accounting principles. Since September 30, 1977, the date of the most recent financial statements, there has been no material adverse change in the financial position of the Corporation or transactions in the Bond Service Fund, Debt Service Fund, either of the Capital Reserve Funds and Operating Fund established under the Resolution and the Second General Bond Resolution, except as referred to in the final Official Statement.

(n) If during the period commencing on the date hereof and ending at the Closing Time any event affecting the transactions contemplated by this Agreement shall occur which makes untrue any statement of a material fact set forth in the final Official Statement or causes an omission to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and if in the opinion of the Corporation and the Representatives such event requires a supplement or amendment to the final Official Statement, the Corporation at its expense will supplement or amend the final Official Statement in a form and in a manner approved by the Representatives and counsel for the Underwriters.
SECTION 2. Purchase, Sales and Delivery of the Bonds.

On the basis of the representations and agreements herein contained, and subject to the terms and conditions herein set forth, at the Closing Time the Corporation agrees to sell to the Underwriters, and the Underwriters, jointly and severally, agree to purchase from the Corporation, the Bonds for an aggregate purchase price of $\frac{3}{4}$, plus accrued interest from January 1, 1978 to the date of payment and delivery. The Bonds shall be issued under and secured by the Resolution, to the extent therein provided. The Bonds shall mature and bear the interest rate and be subject to redemption as set forth in the final Official Statement. Payment for the Bonds shall be made by certified or official bank check or checks, in federal funds, payable to the order of the Corporation, at the Closing Time, at the offices of Hawkins, Delfield & Wood, 67 Wall Street, New York, New York. The Closing Time shall be 8:30 A.M., New York time, on January 10, 1978, or such other time and place as may be provided in accordance with the provisions of Section 9 hereof or as may otherwise be agreed to by the Representatives and the Corporation. The Bonds shall be delivered in definitive form, as coupon Bonds in the denominations of $5,000 each registrable as to principal only, or Bonds registered as to principal and interest in the denominations of $5,000 each or any integral multiple of $5,000, and shall be available for examination and packaging by the Underwriters not less than 24 hours prior to the Closing Time.

SECTION 3. Conditions of the Underwriters' Obligations.

The Underwriters' obligations hereunder shall be subject to the performance by the Corporation of its obligations and agreements to be performed hereunder at or prior to the Closing Time, to the accuracy of and compliance with the representations and agreements of the Corporation contained herein, as of the date hereof and as of the Closing Time, and to the following conditions:

(a) At the date of this Agreement, certificates reasonably satisfactory in form to you, as Representatives, dated the date of this Agreement, (i) of the Mayor of the City or an appropriate deputy to the effect that the information contained in official reports, statements or other documents made public by or on behalf of the Mayor of the City and referred to in the final Official Statement under the caption "Certain Developments Affecting the City" is true in all material respects or is a fair presentation of the information set forth therein, and (ii) of the acting Executive Director of the Emergency Financial Control Board to the effect that any statements contained under the caption "Certain Developments Affecting the City" with respect to reports issued by the former Executive Director of the Emergency Financial Control Board are true, to the best of the knowledge of such acting Executive Director.

(b) At the Closing Time you shall receive as Representatives:

(1) Opinions, dated the Closing Time, with sufficient copies for each Underwriter, of (i) Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation, in the form attached hereto as Exhibit A, (ii) Hawkins, Delfield & Wood, Bond Counsel, in the forms attached hereto as Exhibits B, C and D and (iii) the Attorney General of the State of New York, in the form attached hereto as Exhibit E, in each case with such changes, and with such annexed opinions of other counsel referred to therein, if any, as counsel for the Underwriters shall reasonably approve.

(2) An opinion of White & Case, counsel for the Underwriters, dated the Closing Time, with sufficient copies for each Underwriter, satisfactory in form and substance to the Representatives with respect to the creation and existence of the Corporation, the adoption of the Resolution, the authorization and issuance of the Bonds, the authorization, execution and delivery by the Corporation of this Agreement, the exemption of the offering and sale of the Bonds from the registration requirements of the Securities Act of 1933, as amended, the exemption of the Resolution from the qualification requirements of the Trust Indenture Act of 1939, as amended, and the status of the Bonds as "municipal securities" under the Securities Exchange Act of 1934, as amended; to the effect that nothing has come to their attention
which would lead them to believe that the final Official Statement (as the same has been there-
fore supplemented or amended as of the Closing Time) contains any untrue statement of a
material fact or omits to state a material fact necessary to make the statements therein, in light
of the circumstances under which they were made, not misleading; and such other related
matters as the Representatives may reasonably request; and such counsel shall have received
such papers and information as they may reasonably request to enable them to pass upon such
matters.

(3) A certificate, reasonably satisfactory in form to you, as Representatives, of an appro-
priate officer of the Corporation reasonably satisfactory to you, dated the Closing Time, to the
effect that (i) each of the representations of the Corporation set forth in Section 1 hereof is
true, accurate and complete in all material respects as though made with respect to and as of the
Closing Time (with regard to the final Official Statement, such certification shall be based on the
final Official Statement, as the same has been theretofore supplemented or amended as of the
Closing Time); (ii) each of the agreements of the Corporation set forth in Section 1 hereof to
be complied with at or prior to the Closing Time has been complied with as of such time; and
(iii) the Bonds and the Resolution conform in all material respects to the description thereof
in the final Official Statement.

(4) A certificate, reasonably satisfactory in form to you, as Representatives, of the Direc-
tor of the Budget of the State of New York, dated the Closing Time, to the effect that the
information concerning the State of New York in the final Official Statement, as the same has
been theretofore supplemented or amended as of the Closing Time, under the caption “Certain
Developments Affecting the State” is true in all material respects and does not omit any state-
ment of a material fact necessary to make such information therein contained, in the light of the
circumstances under which such information is furnished, not misleading.

(5) A certificate of the Commissioner of Taxation and Finance of the State in the form
attached hereto as Exhibit F, with such changes, if any, as the Representatives shall approve.

(6) Certificates, reasonably satisfactory in form to you, as Representatives, dated the
Closing Time, of (i) the Comptroller of the City, or an appropriate deputy, to the effect that
the information contained in official reports, statements or other documents made public by him
and referred to in the final Official Statement, as the same has been theretofore supplemented
or amended as of the Closing Time, under the caption “Certain Developments Affecting the
City” is true in all material respects or is a fair presentation of the information set forth therein,
(ii) the New York State Special Deputy Comptroller for the City to the effect that any state-
ments contained under such caption with respect to reports issued by him are true and (iii) the
Executive Director of the Emergency Financial Control Board or, if no such director is then in
office, the acting Executive Director of the Emergency Financial Control Board to the effect
that since the date of the certificate of the acting Executive Director of the Emergency Financial
Control Board delivered pursuant to (a) (ii) of this Agreement, nothing has come to his atten-
tion which leads him to believe that the statements contained in the aforementioned certificate
are untrue.

(7) A certificate, dated the Closing Time, of the United States Trust Company of New
York, Trustee under the Resolution, stating that it holds in trust, pursuant to the Trust
Provisions, moneys or direct obligations of the United States of America, the principal of
and interest on which, when due, will provide moneys to pay when due the principal, redemp-
tion price and interest on the 1975 Series B Bonds until their respective maturities or sinking
fund installment dates and that the 1975 Series B Bonds shall be deemed to have been paid
in accordance with Article XIV of the Resolution.
which would lead them to believe that the final Official Statement (as the same has been theretofore supplemented or amended as of the Closing Time) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and such other related matters as the Representatives may reasonably request; and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters.

(3) A certificate, reasonably satisfactory in form to you, as Representatives, of an appropriate officer of the Corporation reasonably satisfactory to you, dated the Closing Time, to the effect that (i) each of the representations of the Corporation set forth in Section 1 hereof is true, accurate and complete in all material respects as though made with respect to and as of the Closing Time (with regard to the final Official Statement, such certification shall be based on the final Official Statement, as the same has been theretofore supplemented or amended as of the Closing Time); (ii) each of the agreements of the Corporation set forth in Section 1 hereof to be complied with at or prior to the Closing Time has been complied with as of such time; and (iii) the Bonds and the Resolution conform in all material respects to the description thereof in the final Official Statement.

(4) A certificate, reasonably satisfactory in form to you, as Representatives, of the Director of the Budget of the State of New York, dated the Closing Time, to the effect that the information concerning the State of New York in the final Official Statement, as the same has been theretofore supplemented or amended as of the Closing Time, under the caption "Certain Developments Affecting the State" is true in all material respects and does not omit any statement of a material fact necessary to make such information therein contained, in the light of the circumstances under which such information is furnished, not misleading.

(5) A certificate of the Commissioner of Taxation and Finance of the State in the form attached hereto as Exhibit F, with such changes, if any, as the Representatives shall approve.

(6) Certificates, reasonably satisfactory in form to you, as Representatives, dated the Closing Time, of (i) the Comptroller of the City, or an appropriate deputy, to the effect that the information contained in official reports, statements or other documents made public by him and referred to in the final Official Statement, as the same has been theretofore supplemented or amended as of the Closing Time, under the caption "Certain Developments Affecting the City" is true in all material respects or is a fair presentation of the information set forth therein, (ii) the New York State Special Deputy Comptroller for the City to the effect that any statements contained under such caption with respect to reports issued by him are true and (iii) the Executive Director of the Emergency Financial Control Board or, if no such director is then in office, the acting Executive Director of the Emergency Financial Control Board to the effect that since the date of the certificate of the acting Executive Director of the Emergency Financial Control Board delivered pursuant to (a)(ii) of this Agreement, nothing has come to his attention which leads him to believe that the statements contained in the aforementioned certificate are untrue.

(7) A certificate, dated the Closing Time, of the United States Trust Company of New York, Trustee under the Resolution, stating that it holds in trust, pursuant to the Trust Provisions, moneys or direct obligations of the United States of America, the principal of and interest on which, when due, will provide moneys to pay when due the principal, redemption price and interest on the 1975 Series B Bonds until their respective maturities or sinking fund installment dates and that the 1975 Series B Bonds shall be deemed to have been paid in accordance with Article XIV of the Resolution.
(8) A certificate, reasonably satisfactory in form to you, as Representatives, of an appropriate officer of the Corporation reasonably satisfactory to you, dated the Closing Time, setting forth sufficient facts, estimates and circumstances to support the conclusion, stated in the certificate, that on the date of issue it is not expected that the proceeds of the Bonds will be used in a manner that will cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, and stating that to the best of the knowledge and belief of the certifying officer there are no other facts, estimates or circumstances that would materially change such expectation.

(9) An opinion, dated the Closing Time and addressed to the Corporation, of Hawkins, Delafield & Wood, to the effect that, based upon their examination of law and review of the certification by the Corporation provided for in (8) above, they are of the opinion that the facts, estimates and circumstances are sufficiently set forth in such certificate to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and proposed Regulations Section 1.103-13, 1.103-14 and 1.103-15 to support the conclusion that the Bonds will not be arbitrage bonds, and that no matters have come to their attention which make unreasonable or incorrect the representations made in such certificate.

(10) Irrevocable instructions satisfactory to the Trustee, shall have been delivered in accordance with Section 203 of the Resolution to give effect to the Trust Provisions.

(11) Such additional certificates, instruments and other documents as you, as Representatives, may reasonably request to evidence the truth and accuracy, as of the Closing Time, of the representations of the Corporation herein contained and of the final Official Statement (as the same has been theretofore amended or supplemented), and the due performance and satisfaction by the Corporation at or prior to such time of all agreements to be performed and all conditions then to be satisfied by it in connection with the transactions contemplated hereby or by the final Official Statement (as the same has been theretofore amended or supplemented).

(c) The market price of the Bonds, or the market prices of general credit or revenue obligations issued by states or political subdivisions thereof, or the market prices of such revenue obligations of the character of the Bonds, shall not (in the reasonable opinion of the Representatives) have been materially adversely affected by reason of the fact that between the date hereof and the Closing Time:

(1) legislation shall have been enacted by the Congress, or recommended to the Congress for passage by the President of the United States, or introduced and favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or

(2) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, or

(3) an order, ruling or regulation (final, temporary or proposed) shall have been made by the Treasury Department of the United States or the Internal Revenue Service and published in the Federal Register,

with the purpose or effect, directly or indirectly, of imposing Federal income taxation upon such interest as would be received by the holders of the Bonds, or

(4) there shall have been a material adverse change in the national financial economic situation in the United States and there shall have occurred (i) the closing other than in the ordinary course of business of the New York Stock Exchange, Inc. or (ii) the general suspension
of trading on the New York Stock Exchange, Inc. or (iii) the establishment of a general banking moratorium by Federal or New York State authorities.

(d) No order, decree or injunction of any court of competent jurisdiction, and no order, ruling, regulation or administrative proceeding by any governmental body or board, shall have been issued or commenced, and no legislation shall have been enacted by the Congress, or the State of New York, with the purpose or effect of prohibiting the issuance, offering or sale of the Bonds as contemplated hereby or by the final Official Statement.

(e) The Comptroller of the State of New York shall have approved in writing the sale of the Bonds and the terms thereof as provided in this Agreement.

(f) The Government of the United States shall not have made any declaration of war and the United States shall not have become engaged in any intercontinental ballistic or atomic warfare, or other major military hostilities (exclusive of civil war, insurrection or rebellion).

(g) Underwriters which are member banks of the Federal Reserve System shall be authorized under applicable law to underwrite the Bonds. Underwriters which are subject to regulation by the New York State Department of Banking shall be authorized under applicable law to underwrite the Bonds.

(h) At the Closing Time, Price Waterhouse & Co. shall have furnished to the Representatives a letter or letters, dated the Closing Time in the form attached hereto as Exhibit G, with such changes, if any, as the Representatives, shall approve.

(i) There shall not have been a default on or after the date hereof upon the general obligations of the State of New York or any instrumentality, agency or political subdivision thereof.

(j) There shall not have occurred any event of the type referred to in Section 1 (n) hereof which in the reasonable judgment of the Representatives requires or has required an amendment, modification or supplement to the final Official Statement.

SECTION 4. Conditions of the Corporation’s Obligations.

The Corporation’s obligations hereunder, other than pursuant to Sections 5, 7 and 10 hereof, are subject to:

(a) the performance by the Underwriters of their obligations hereunder;

(b) the satisfaction of the conditions set forth above in (b)(4), (b)(5), (b)(6), (d), (e), (g), (h), (i), (j) and (7) of Section 3 hereof; and

(c) the receipt by the Underwriters at the Closing Time of the opinions described in (b)(1), (b)(2) and (b)(9) of Section 3 hereof.

SECTION 5. Deposit.

The Corporation hereby acknowledges receipt of a certified or bank cashier’s check payable to the order of the Corporation in New York Clearing House funds in the amount of $1,250,000. In the event of the failure of the Corporation to deliver the Bonds at the Closing Time or if the Corporation shall be unable to satisfy the conditions of the obligations of the Underwriters set forth in this Agreement (unless waived by the Underwriters), or if the obligation of the Underwriters shall be terminated for any reason permitted by this Agreement, the amount of such check shall be returned to the Representatives. In the event that the Underwriters fail (other than for a reason permitted hereunder) to accept delivery and pay for the Bonds at the Closing Time as herein provided, the amount of such check
shall be retained by the Corporation as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as otherwise provided in this Agreement, no party shall have any further right against any other hereunder. Upon acceptance of this offer, such check may be cashed by the Corporation and the proceeds thereof deposited in a special account of the Corporation. Such proceeds may be invested for the exclusive benefit of the Corporation and the amount of such check shall be applied by the Corporation to the aggregate purchase price for the Bonds set forth in Section 2 hereof.

SECTION 6. Representations and Agreements to Survive Delivery.

All representations and agreements of the Corporation shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriters or any person who controls any Underwriter, and shall survive delivery of the Bonds to the Underwriters.

SECTION 7. Payment of Expenses.

The Corporation shall pay all costs and expenses incident to the performance of its obligations under this Agreement including all expenses incident to the delivery of the Bonds to the several Underwriters, the fees and expenses of Bond Counsel and General Counsel for the Corporation, the costs and expenses incident to the preparing and printing of this Agreement, the Official Statement, the Resolution and related documents, and expenses incurred in connection with any securities or “blue sky” law qualifications and the preparation of a memorandum with respect thereto and for any fees charged by investment rating agencies for the rating of the Bonds, it being understood that, except as provided in this Section 7, the Underwriters will pay all their own costs and expenses including fees and expenses of their counsel, the printing of the Agreement Among Underwriters and any advertising and mailing connected with any offering of the Bonds by them; provided, however, that the Corporation shall have no obligation under this Section 7 if the Corporation is not obligated under this Agreement pursuant to Section 4(a) hereof. Nothing herein shall be construed to relieve a defaulting Underwriter from liability for its default.

SECTION 8. Use of Preliminary and Final Official Statement.

The Corporation hereby confirms the authority, and authorizes the Underwriters, to use and make available to prospective and ultimate purchasers of the Bonds the preliminary Official Statement dated December 1977, and authorizes the use of the final Official Statement by the Underwriters in connection with the sale of the Bonds. Each Underwriter agrees, in connection with the sale of Bonds by such Underwriter, that it will not confirm the sale of any Bonds unless the confirmation of sale is accompanied or preceded by delivery of a copy of the final Official Statement.


If the Underwriters shall default in their obligation to purchase the principal amount of Bonds herein agreed to be purchased, and if the Representatives at such time shall notify the Corporation that such default is the result of a failure on the part of one or more of the Underwriters to comply with its or their obligations, then either the Representatives or the Corporation shall have the right to postpone the Closing Time for a single period of not more than three business days (and the Representatives with the consent of the Corporation shall have the right to postpone the Closing Time for an additional single period of seven days) in order that necessary changes and arrangements may be effected by the Representatives and the Corporation to have the Underwriters which shall not have so failed, or one or more other underwriters, take up, in such proportions as the Underwriters may agree and upon the terms herein set forth, the participations of the Underwriter or Underwriters which failed to comply with its or their obligations, whereupon this Agreement shall be carried out accordingly at such postponed Closing Time. The provisions of this Section 9 shall not in any way affect the joint and several obliga-
of the Underwriters to take up and pay all of the Bonds or any liability of any Underwriter or Underwriters which failed to comply with its or their obligations to the Underwriters which have not so failed.

SECTION 10. Indemnification.

To the extent it may legally do so, the Corporation agrees to indemnify and hold harmless each of the Underwriters and each person, if any, who controls any Underwriter against any and all losses, claims, damages and liabilities (i) arising out of any untrue statement of a material fact contained in the final Official Statement, as the same has been supplemented or amended, or the omission therefrom of a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Corporation. In case any claim shall be made or action brought against any Underwriter or person controlling such Underwriter based upon the final Official Statement as aforesaid, in respect of which indemnity may be sought against the Corporation, such Underwriter shall promptly notify the Corporation in writing setting forth the particulars of such claim or action and the Corporation shall assume the defense thereof including the employment of counsel, satisfactory to the Representatives (who shall not, except with the consent of the Representatives, be counsel of the Corporation) and the payment of all expenses. Any Underwriter or any such controlling person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless the employment, and payment by the Corporation, of such counsel has been specifically authorized by the Corporation or unless in the opinion of counsel for the Underwriters, the Underwriters have a defense or defenses not available to the Corporation.

SECTION 11. Parties in Interest.

This Agreement has been and is made solely for the benefit of the Underwriters and the Corporation and their respective successors, and, to the extent expressed herein, for the benefit of persons controlling any of the Underwriters or the Corporation, and officials of the Corporation, and their respective successors and assigns, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement. The terms “successors” and “assigns” shall not include any purchaser of Bonds from any Underwriter merely because of such purchase.

Any provisions of Article 10 of the Public Authorities Law of the State of New York or in this Agreement which relate to taxes imposed under Article 12 or Section 1107 or 1108 of Article 28 of the Tax Law of the State of New York or to the funds created by Sections 92-b and 92-d of the State Finance Law of the State of New York shall be deemed executory only to the extent of the moneys available to the State of New York in such funds from time to time and no liability on account thereof shall be incurred by the State of New York beyond the moneys available in such funds.

SECTION 12. Notice.

All communications hereunder shall be in writing and, if sent to the Corporation, shall be mailed, delivered or telegraphed and confirmed to it at Two World Trade Center, New York, New York 10047, with a copy to Paul, Weiss, Rifkind, Wharton & Garrison, 345 Park Avenue, New York, New York 10022; and, if sent to the Underwriters, shall be mailed, delivered or telegraphed and confirmed to the Representatives at the address set forth above.

SECTION 13. Representation.

In all dealings under this Agreement the Corporation shall be entitled to act and rely upon any statement, request, notice or agreement made or entered into by you jointly, or by Salomon Brothers on
behalf of you as the Representatives, as having been duly made or entered into on behalf of each of the Underwriters.


This Agreement shall be governed by the laws of the State of New York and may not be assigned by the Corporation or the Underwriters.

If the foregoing is in accordance with the Underwriters' understanding of the agreement among the Corporation and the Underwriters, kindly sign and return to the Corporation the enclosed duplicates hereof, whereupon it will constitute a binding agreement among the Corporation and the Underwriters in accordance with its terms.

Yours very truly,

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By

[SEAL]

Secretary

Accepted and confirmed as of the date first above written:

SALOMON BROTHERS
THE CHASE MANHATTAN BANK (National Association)
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
CITIBANK, N.A.
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
KIDDER, PEABODY & CO. INCORPORATED
BACHE HALSEY STUART SHIELDS INCORPORATED
BANK OF AMERICA NT & SA
BANKERS TRUST COMPANY
BEAR, STEARNS & Co.
CHEMICAL BANK
THE FIRST BOSTON CORPORATION
GOLDMAN, SACHS & Co.
MANUFACTURERS HANOVER TRUST COMPANY
SMITH BARNEY, HARRIS UPHAM & Co.
INCORPORATED

on behalf of themselves and the other Underwriters named in Schedule 1 hereto.

By SALOMON BROTHERS

By
SCHEDULE I

To Bond Purchase Agreement among Municipal Assistance Corporation For The City of New York, and the Underwriters referred to therein

UNDERWRITERS

Salomon Brothers
The Chase Manhattan Bank (National Association)
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Citibank, N.A.
Morgan Guaranty Trust Company of New York
Kidder, Peabody & Co. Incorporated
Bache Halsey Stuart Shields Incorporated
Bank of America NT & SA
Bankers-Trust Company
Bear, Stearns & Co.
Chemical Bank
The First Boston Corporation
Goldman, Sachs & Co.
Manufacturers Hanover Trust Company
Smith Barney, Harris Upham & Co. Incorporated
EXHIBIT A

to

Bond Purchase Agreement

[ date ]

Salomon Brothers
The Chase Manhattan Bank (National Association)
Merrill Lynch, Pierce, Fenner & Smith
Incorporated

CITIBANK, N.A.
Morgan Guaranty Trust Company of New York
Kidder, Peabody & Co. Incorporated
Bache Halsey Stuart Shields Incorporated
Bank of America NT & SA
Bankers Trust Company —
Bear, Stearns & Co.
Chemical Bank
The First Boston Corporation
Goldman, Sachs & Co.
Manufacturers Hanover Trust Company
"Smith Barney, Harris Upham & Co. Incorporated

As Representatives of the Underwriters

c/o Salomon Brothers
One New York Plaza
New York, New York 10004

Dear Sirs:

We have been requested by our client, Municipal Assistance Corporation For The City of New York, a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation (the "Corporation"), to furnish you our opinion as to the matters herein set forth in connection with the execution of a bond purchase agreement, dated December 1977 (the "Agreement"), by and among the Corporation and each of you as purchasers, and the sale by the Corporation to you thereunder of $ aggregate principal amount of the Corporation's 1978 Series JJ Bonds (the "Bonds").

In this connection, we have examined the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, each as further amended, (the "Act"), the final Official
Statement of the Corporation, dated December 1977, with respect to the Bonds, as amended or supplemented to the date hereof (the “final Official Statement”), the By-laws of the Corporation, records of its corporate proceedings, including the General Bond Resolution and the 1978 Series JJ Resolution adopted by the Board of Directors of the Corporation on July 2, 1975 and on December 1977, respectively (the “Resolutions”), the Agreement and the exhibits attached thereto, and have made such further examination of law and fact as we considered necessary in order to form the opinions herein expressed.

Based on the foregoing, we are of the opinion that:

1. The Corporation is a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation, duly created by and validly existing under the Act, with the right and power under the Act to execute and deliver and to perform its obligations under the Agreement, to adopt the Resolutions and to issue the Bonds thereunder.

2. Under the Act, it is a purpose of the Corporation to assist The City of New York (the “City”) in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City.

3. The execution and delivery of, and the performance of the obligations under, the Agreement and the issuance of the Bonds have been duly authorized by proper corporate proceedings of the Corporation. The Agreement constitutes the legal, valid and binding agreement of the Corporation enforceable in accordance with its terms except as enforceability may be limited by bankruptcy or similar laws validly enacted and applicable to the rights created pursuant to the Agreement. The Resolutions have been duly and lawfully adopted by the Corporation and both are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of the holders of the Bonds, and no other authorization for, or filing or recording of, the Resolutions is required.

4. The Bonds have been duly authorized, executed, authenticated, issued and delivered and constitute legal, valid, binding, direct and general obligations of the Corporation and are entitled to the benefits of the Resolutions except as enforceability may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of holders of the Bonds.

5. The execution, delivery and receipt of the final Official Statement, the Agreement, the Bonds and the Resolutions, under the circumstances contemplated by the Agreement and the final Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on the part of the Corporation a breach of, or a default under, any existing law, court or administrative regulation, decree, order, or any agreement, indenture, mortgage, lease or other instrument, in each such case of which we have knowledge, to which the Corporation is subject or by which it is bound.

6. Except as set forth in the final Official Statement, to the best of our knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court or public board or body pending or threatened against the Corporation wherein an unfavorable decision, ruling or finding would in any material respect adversely affect the transactions contemplated by the Agreement or which in any way would adversely affect provisions for the payment of principal or interest on the Bonds or the validity of the Bonds, the Resolutions, the Agreement, or any agreement or instrument to which the Corporation is a party which is used or contemplated for use in connection with consummation of the transactions contemplated by the Agreement.

7. The offering and sale of the Bonds by the Corporation to you, and the resale of the Bonds by you as contemplated by the Agreement and the final Official Statement, are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) of such Act and there is no requirement for the qualification of the Resolutions or any indenture with respect to the Bonds pursuant to the Trust Indenture Act of 1939, as amended. The Bonds constitute "municipal securities" as such term is defined in the Securities Exchange Act of 1934, as amended.
8. In the course of the preparation by the Corporation of the final Official Statement, we participated in numerous conferences and conversations with certain of the Corporation's officials and also consulted on numerous occasions with representatives of certain of you. In this connection, with your concurrence, we did not undertake any independent examination or review of, or otherwise attempt to make any independent verification of, (i) any records or proceedings of, or any factual matters relating to or otherwise involving, the Corporation, the State of New York or any authority, agency or political subdivision thereof or therein, or (ii) any other factual matters contained in the final Official Statement. Accordingly, except with respect to the statements and summaries referred to in paragraph 9 hereof, we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the final Official Statement; it being understood that you are relying on the preparation of the final Official Statement by the Corporation, and certifications of various officials as to the accuracy, completeness and fairness of the statements contained therein. Further we are not in a position to provide, and we hereby expressly disclaim, any commentary or assurances as to the adequacy or accuracy of the financial statements and other financial and statistical data contained in the final Official Statement. Subject to the foregoing limitations with respect to our engagement, no information was disclosed to us in connection with the preparation of the final Official Statement or in our conferences or conversations referred to above which has caused us to believe that the final Official Statement, as of the date thereof and as of the date hereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

9. The statements set forth in the final Official Statement under the headings "Provisions For Payment of the Bonds—Federal Bankruptcy Legislation", "Certain Developments Affecting the City—Federal Bankruptcy and State Stay Legislation", "Various Control Programs" and "Litigation" are accurate statements or summaries of the statutory provisions, documents or matters therein set forth.

All opinions rendered herein relating to (i) the effect of the Constitution of the State of New York, state, or local finance laws or the refunding of the 1975 Series B Bonds, upon the validity, binding effect or enforceability of the Resolutions, the Agreement or the Bonds or (ii) relating to the effectiveness of the refunding of the 1975 Series B Bonds, are rendered in reliance upon the opinions of Hawkins, Delafield & Wood, Bond Counsel, of even date herewith addressed to the Corporation and delivered to you in accordance with the Agreement, and, although we have made no independent investigation with respect thereto, such opinion is in form and substance satisfactory to us, and we believe that you and we are justified in relying thereon.

Very truly yours,
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
New York, New York

DEAR SIRS:

We have examined a record of proceedings relating to the issuance of $ aggregate principal amount of 1978 Series JJ Bonds (the “1978 Series JJ Bonds”) of the Municipal Assistance Corporation For The City of New York (the “Corporation”), a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the City of New York Act, being Titles I, II and III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, as amended to the date hereof (the “Act”).

The 1978 Series JJ Bonds are authorized and issued under and pursuant to the Act and a General Bond Resolution of the Corporation adopted July 2, 1975, as amended and supplemented to the date hereof (the “General Bond Resolution”) and the 1978 Series JJ Resolution adopted December 1977 (the “Series Resolution”). Said resolutions are herein collectively called the “Resolutions”.

The 1978 Series JJ Bonds are part of an issue of bonds of the Corporation (the “Bonds”) which the Corporation has established and created under the terms of the General Bond Resolution and is authorized to issue from time to time for the corporate purposes of the Corporation authorized by the Act, as then in effect and without limitation as to amount except as provided in the Resolutions or as may be limited by law. The Corporation has covenanted with the holders of certain bonds of the Corporation to limit the issuance of additional Bonds. The 1978 Series JJ Bonds are being issued as Refunding Bonds as defined in the General Bond Resolution.

The Corporation is authorized to issue Bonds, in addition to the 1978 Series JJ Bonds, only upon the terms and conditions set forth in the General Bond Resolution and such Bonds, when issued, shall, with the 1978 Series JJ Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Bond Resolution.

The 1978 Series JJ Bonds are dated January 1, 1978 except as otherwise provided in the Resolutions with respect to fully registered 1978 Series JJ Bonds, will bear interest from January 1, 1978 payable August 1, 1978 and semi-annually thereafter on February 1 and August 1 in each year at the rates per annum and will mature on February 1 in each of the years and in the respective amounts set forth below:

<table>
<thead>
<tr>
<th>Year of Maturity</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
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<td>19</td>
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<td>19</td>
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</tbody>
</table>

January , 1978
The 1978 Series JJ Bonds are issuable either in coupon form in the denomination of $5,000 registrable as to principal only, or in fully registered form without coupons in the denomination of $5,000 or an integral multiple thereof. Coupon and fully registered 1978 Series JJ Bonds are interchangeable as provided in the Resolutions. Coupon 1978 Series JJ Bonds are lettered JJ and fully registered 1977 Series JJ Bonds are lettered R-JJ, in each case being followed by two digits, being the last two digits of the year in which such 1978 Series JJ Bonds mature. Coupon 1978 Series JJ Bonds are numbered from one upward for each year of maturity and fully registered 1978 Series JJ Bonds are numbered consecutively from one upward in order of issuance for each year of maturity.

The 1978 Series JJ Bonds maturing on or before February 1, 1985, are not subject to redemption prior to maturity.

The 1978 Series JJ Bonds maturing February 1, 1995, are subject to redemption, in part, by lot, commencing February 1, 1989 through application of mandatory Sinking Fund Installments as defined in the General Bond Resolution at the redemption price of 100% of the principal amount of each 1978 Series JJ Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption, all as set forth in the Series Resolution. In addition, such 1978 Series JJ Bonds are subject to redemption on and after February 1, 1988, as a whole on any date or in part by lot, on any interest payment date, at the redemption prices (expressed as a percentage of the principal amount of each 1978 Series JJ Bond or portion thereof to be redeemed), plus accrued interest, if any, to the date of such redemption, as set forth in the Series Resolution.

Chapters 168 and 169 of the Laws of 1975, as amended to the date hereof, each enacted by the People of the State, represented in Senate and Assembly of the State and signed into law by the Governor of the State (the “Enabling Legislation”) provide for, among other things, the insertion of the Act in the Public Authorities Law, creating the Corporation as aforesaid, suspending the power of The City of New York (“The City”) to adopt local laws for the imposition of certain sales and compensating use taxes pursuant to sections 1210 and 1212-A of Article 29 of the Tax Law, constituting Chapter 60 of such Consolidated Laws, and the taxes impose pursuant to said sections, until all notes and bonds of the Corporation, including the 1978 Series JJ Bonds, and interest thereon have been fully paid and discharged, adding a new section 92-d to Article 6 of the State Finance Law constituting Chapter 56 of such Consolidated Laws, establishing a municipal assistance tax fund (the “Assistance Fund”) and a special account for the Corporation within the Assistance Fund (the “Special Account”), adding a new section 1107 to Article 28 of said Tax Law imposing sales and compensating use taxes in The City at a rate of four percent (4%) on certain items therein described and at a rate of six percent (6%) on the sale of certain parking services (the “Sales-Tax”), the revenues derived from which, less such amounts as the Commissioner of Taxation and Finance determines to be necessary for reasonable costs in administering, collecting and distributing such taxes, are required to be paid into the Special Account together with, after deducting such costs, such amounts as may be required under the Enabling Legislation to be transferred from the Stock Transfer Tax Fund established by section 92-b of Article 6 of said State Finance Law, into which the revenues derived from a tax imposed by Article 12 of the Tax Law (the “Stock Transfer Tax”) are deposited.

We are of the opinion that:

1. The Corporation is duly created and validly exists as a corporate governmental agency and instrumentality of the State constituting a public benefit corporation under the laws of the State, including the Constitution of the State and the Act, with the good right and lawful authority and power to adopt the Resolutions, to issue the Bonds including the 1978 Series JJ Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1978 Series JJ Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Enabling Legislation, including the Act, is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the General Bond Resolution and is authorized and permitted by the General Bond Resolution. The Resolutions have been duly and lawfully adopted by the Corporation and both are in full force and effect
and are valid and binding upon the Corporation and enforceable in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors’ rights or remedies generally, and no other authorization for the Resolutions is required. The Resolutions create the valid pledge and lien which they purport to create of the revenues, monies, securities and funds held or set aside under the Resolutions, subject only to the application thereof to the purposes and on the conditions permitted by the Resolutions. The lien created by the Resolutions on such revenues, monies, securities and funds in the Debt Service Fund and the Capital Reserve Fund is and will be prior to all other liens thereon. All revenues, monies, securities and funds, as and when received, in the Debt Service Fund and the Capital Reserve Fund in accordance with the Resolutions, will be validly subjected to the pledge and lien created by the Resolutions.

3. The 1978 Series JJ Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The 1978 Series JJ Bonds are valid and binding general obligations of the Corporation payable as provided in the Resolutions, are enforceable in accordance with their terms, and the terms of the Resolutions, respectively, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws validly enacted affecting creditors’ rights or remedies generally, and are entitled, together with additional Bonds issued under the General Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the General Bond Resolution and of the Act.

4. Pursuant to the Act and the General Bond Resolution, the Corporation has validly covenanted that the Chairman of the Corporation shall annually, on or before December 1, make and deliver to the Governor and Director of the Budget of the State his certificate stating such sum, if any, as shall be necessary to restore the amount in such Capital Reserve Fund to an amount equal to the Capital Reserve Fund requirement under the General Bond Resolution. Subdivision 4 of Section 3036 of the Act providing for the appropriation and payment to the Corporation for deposit in the Capital Reserve Fund of such sum as shall be so certified by the Chairman, does not constitute an enforceable obligation or debt of the State, the amount of such sum being subject to annual appropriation for such purpose by the Legislature of the State, which is empowered, but is not bound or obligated, to appropriate such amount.

5. Pursuant to the Act and the General Bond Resolution, the Corporation has validly covenanted that the Chairman of the Corporation shall certify to the State Comptroller and the Mayor of The City, the amounts required, pursuant to subdivision 1 of Section 3036 of the Act, for deposit in the funds established by the General Bond Resolution at the time or times and in the manner provided therein, including the amounts required for deposit in the Debt Service Fund to pay all interest and all principal, sinking fund installments, if any, and redemption premium, if any, on notes and bonds maturing or otherwise coming due and for deposit in the Capital Reserve Fund to maintain such Fund at such Capital Reserve Fund requirement. Said subdivision provides for the State Comptroller to pay such amounts to the Corporation for deposit as aforesaid, the source of such payments being the Assistance Fund into which is paid the Sales Tax and, to the extent required, out of the Stock Transfer Tax Fund, the Stock Transfer Tax. The amount of such payments to the Corporation are subject to annual appropriation for such purpose by the Legislature of the State which is empowered, but is not bound or obligated, to appropriate the amount so certified by the Chairman, as aforesaid.

6. The 1978 Series JJ Bonds do not constitute a debt either of the State or The City, and neither the State nor The City shall be liable thereon, nor shall the 1978 Series JJ Bonds be payable out of any funds other than those of the Corporation.

7. The State has the good right and lawful authority:

(a) to suspend the power of The City to adopt local laws for the imposition of certain sales and compensating use taxes and the taxes levied thereunder, in accordance with the Enabling Legislation;

(b) to impose and to increase or decrease the Sales Tax and the Stock Transfer Tax but the State is not bound or obligated to continue the imposition of said taxes.
(c) to establish the Stock Transfer Tax Fund, the Assistance Fund and the Special Account within the Assistance Fund but the State is not bound or obligated to maintain the existence of said funds or account; and

(d) to provide for the appropriation of, and at least annually to appropriate to the Corporation, from the Special Account for the Corporation in the Assistance Fund and from the Stock Transfer Tax Fund, amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make such appropriations.

8. The Corporation, the holders of the Bonds, holders of any evidence of indebtedness of the Corporation or the holders of bonds or notes of The City do not have nor will they have a lien on the Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Account for the Corporation in the Assistance Fund. We are further of the opinion that, in any suit, action or other proceeding brought by a creditor of The City (whether under Chapter 9 of the Federal Bankruptcy Act or otherwise) asserting a right to any such Taxes, such Stock Transfer Tax Fund or such Special Account superior or equal to the rights of holders of bonds issued under the General Bond Resolution, such creditor will not prevail in the court of final jurisdiction.

9. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, monies on deposit in the Stock Transfer Tax Fund and the Assistance Fund, including the Special Account therein (each such account or fund as presently constituted being a special fund of the State), would not constitute revenues applicable to the General Fund of the State and hence neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such monies to be set apart by the State Comptroller either for the payment of debts of the State or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special Account and the Stock Transfer Tax Fund, do not constitute revenues applicable to the General Fund of the State and hence such collections would likewise not be authorized or mandated to be set apart or applied by the State Comptroller either for the payment of debts of the State or for deposit into such note repayment account.

10. Under existing statutes and court decisions, interest on the 1978 Series JJ Bonds is exempt from Federal income taxes and shall at all times be free from New York State and New York City personal income taxes.

11. No registration with, consent of, or approval by any governmental agency or commission is necessary for the execution and delivery and the issuance of the 1978 Series JJ Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1978 Series JJ Bonds, and the execution and delivery of the 1978 Series JJ Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the executed 1978 Series JJ Bond numbered JJ82-1 and, in our opinion, the form of said Bond and its execution are regular and proper. We have examined the registered form of such bond and, in our opinion, such form is regular and proper.

Very truly yours,
Hawkins, Delafield & Wood
67 Wall Street, New York 10005

1978

EXHIBIT C
to
Bond Purchase Agreement

Salomon Brothers
The Chase Manhattan Bank (National Association)
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Citibank, N.A.
Morgan Guaranty Trust Company of New York
Kidder, Peabody & Co. Incorporated
Bache Halsey Stuart Shields Incorporated
Bank of America NT & SA
Barclays Trust Company
Bear, Stearns & Co.
Chemical Bank
The First Boston Corporation
Goldman, Sachs & Co.
Manufacturers Hanover Trust Company
Smith Barney, Harris Upham & Co. Incorporated

As representatives of the several Underwriters
named in Schedule I of the Bond Purchase Agreement dated December, 1977 with
the Municipal Assistance Corporation For The City of New York.
c/o Salomon Brothers
One New York Plaza
New York, New York 10004

Gentlemen:

We are Bond Counsel to the Municipal Assistance Corporation For The City of New York (the “Corporation”) and are this day rendering our final approving opinion (the “Opinion”) relating to the authorization and issuance of the Corporation’s 1978 Series JJ Bonds (the “Bonds”), dated January 1, 1978 and authorized by the General Bond Resolution, adopted by the Corporation on July 2, 1975, and the 1978 Series JJ Bond Resolution, adopted December, 1977. The Opinion is being rendered in connection with the delivery of the Bonds to Salomon Brothers on behalf of the Underwriters named in Schedule I to the Bond Purchase Agreement for the Bonds (the “Bond Purchase Agreement”) by and among you, as representatives of said Underwriters and the Corporation.

In connection with the rendering of the Opinion, we have reviewed records of the acts taken by the Corporation in connection with the authorization, sale and issuance of the Bonds, including a record of proceedings of the Corporation relating to the authorization, execution and delivery of the Bond Purchase Agreement, were present at various meetings in connection therewith and have participated with others in the preparation of various parts of the Official Statement with respect to the Bonds dated December, 1977 (the “Official Statement”).

In connection with the sale of the Bonds, at the request of the Corporation, we participated and assisted as Bond Counsel in the preparation of the Official Statement and have reviewed the information
and representations contained therein. Rendering such assistance involved, among other things, discussions and inquiries concerning various and related subjects, and reviews of and reports on certain documents and proceedings. We also participated in conferences with the board of directors of the Corporation and its officers, agents and employees, the State Comptroller and his deputy, Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel for the Corporation, you and your counsel, White & Case, at which the contents of the Official Statement and related matters were discussed and revised.

The statements set forth in the Official Statement under the headings PROVISIONS FOR PAYMENT OF THE BONDS (other than the statistical and financial information under the headings "Quarterly Collections of Sales and Compensating Use Taxes in the City", "Monthly Collections of Sales and Compensating Use Taxes in the City" and "Quarterly Collections of Stock Transfer Tax"), BONDS BEING OFFERED, SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION and AGREEMENT OF THE STATE OF NEW YORK are accurate statements or summaries of the statutory provisions, documents or matters therein set forth.

In the course of the preparation of the Official Statement and in rendering the Opinion and this opinion we have received and relied upon the certificate of no-litigation of the Corporation including statements to the effect that, except as noted in the Official Statement, there is no litigation of any nature now 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, any proceedings of the Corporation taken with respect to the issuance thereof, the pledge or application of any revenues, moneys or securities provided for the payment of the Bonds or the existence or powers of the Corporation. In such connection, we have also received and relied upon the opinion of Paul, Weiss, Rifkind, Wharton & Garrison, dated the date hereof, with respect to the absence of litigation against the Corporation. While, except as above stated with respect to information under certain specific headings, we have not undertaken to verify independently and take no responsibility for the correctness or completeness of the statements made in the Official Statement (or in the statistical and financial information and other information excluded above, as to which we express no opinion) we can and do advise you that in the course of our participation in the preparation of the Official Statement and in our review thereof in the light of the discussion, inquiries and conferences referred to above, nothing has come to our attention which would lead us to believe that the Official Statement contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We are further of the opinion that the Bond Purchase Agreement has been duly authorized, executed and delivered by, and constitutes a binding agreement of, the Corporation, enforceable in accordance with its terms.

We are further of the opinion that the issuance and sale to you of the Bonds pursuant to and as contemplated by the Agreement is exempt from registration under the Securities Act of 1933, as amended, and the resale of the Bonds by you would be similarly exempt from registration under the Securities Act of 1933, as amended, to the date hereof, and there is no requirement for the qualification of the Resolutions or any indenture with respect to the Bonds pursuant to the Trust Indenture Act of 1939, as amended; and the Bonds constitute "municipal securities" within the meaning of the Securities Exchange Act of 1934, as amended.

We are further of the opinion that the 1978 Series JJ Bonds are legal investments, under present provisions of New York law, for all public officers and bodies of the State and political subdivisions of the State and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State.

Very truly yours,
Hawkins, Delafield & Wood
67 Wall Street, New York 10005

January 1, 1978

MUNICIPAL ASSISTANCE CORPORATION
For The City of New York
New York, New York

Dear Sirs:

The Corporation now has outstanding $212,912,000 in aggregate principal amount of its 1975 Series B Bonds (the "1975 Series B Bonds") issued pursuant to the General Bond Resolution of the Corporation adopted July 2, 1975, as amended and supplemented to the date hereof (the "General Bond Resolution") and a Series Resolution adopted August 15, 1975 (the "1975 Series B Resolution"). In accordance with the provisions of Section 203 and Article XIV of the General Bond Resolution, direct obligations of the United States of America have been placed in trust with United States Trust Company of New York, New York, N. Y. (the "Trustee", as such term is defined in the General Bond Resolution), the principal of and interest on which, when due, will provide monies sufficient to pay when due, the principal or redemption price of and interest until the maturity or earlier redemption date on the 1975 Series B Bonds. The Corporation has directed the Trustee to redeem, by lot, at a redemption price of 100% of the principal amount of each 1975 Series B Bond so redeemed, on February 1, 1982, $66,350,000 in aggregate principal amount of 1975 Series B Bonds maturing February 1, 1983. The amount to be so redeemed represents the amount of the sinking fund installment provided for such date in the 1975 Series B Resolution. The Trustee has been directed to pay the principal on the 1975 Series B Bonds, other than those so called for redemption, on their respective maturity dates. Based on the foregoing, we are of the opinion that the Corporation has duly provided for the payment of the 1975 Series B Bonds in accordance with the provisions of such Section 203 and Article XIV.

Very truly yours,
EXHIBIT E

to
Bond Purchase Agreement

PROPOSED OPINION

STATE OF NEW YORK
DEPARTMENT OF LAW
ALBANY 12224

LOUIS J. LEFKOWITZ
ATTORNEY GENERAL

, 1978

MR. FELIX G. ROHATYN
Chairman
Municipal Assistance Corporation
For The City of New York
New York, New York

Dear Mr. Rohatyn:

This is to acknowledge receipt of your letter of , 1978, enclosing the transcript of proceedings of the Municipal Assistance Corporation For The City of New York (herein called the "Corporation") together with other documents relating to the authorization, sale and issuance of the 1978 Series JJ Bonds, dated January 1, 1978 in the principal amount of $ (herein called "the 1978 Series JJ Bonds") by the Corporation to the Underwriters named in Schedule I (herein called the "Underwriters") to the Bond Purchase Agreement, dated December , 1977 between the representatives of the Underwriters and the Corporation (herein called the "Bond Purchase Agreement").

The Corporation is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation, created pursuant to chapters 168 and 169 of the Laws of 1975 (herein referred to as the "Acts"), as amended by Chapters 874 and 875 of the Laws of 1975 and by Chapter of the Laws of 1977.

The 1978 Series JJ Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum shown below:

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Amount Maturing</th>
<th>Interest Rate</th>
</tr>
</thead>
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</table>

I have examined the Constitution and statutes of the State of New York, including the statutes creating the Corporation, together with a record of proceedings relating to the issuance of the 1978 Series JJ Bonds, including the Official Statement, certified copies of the General Bond Resolution, dated July 24, 1975 and the 1978 Series JJ Resolution, dated December , 1977 (herein collectively called the "Resolutions"), and other documents relating to the issuance of such Bonds, and such other documents as I have deemed necessary for the opinion set forth herein.
Based on the foregoing, it is my opinion that:

1. Article 10 of the Public Authorities Law of the State of New York, and the amendments to the Tax Law and the State Finance Law, added by chapter 168 of the Laws of 1975, entitled "An Act to amend the public authorities law, in relation to municipal assistance corporations; to amend the tax law, in relation to the municipal sales and compensating use tax; and to amend the state finance law, in relation to the municipal assistance tax fund", and Title III of Article 10 of the Public Authorities Law and the amendments to the State Finance Law and the New York City Stabilization Reserve Corporation Act, added by chapter 169 of the Laws of 1975, entitled "An Act to amend the public authorities law, in relation to creating the municipal assistance corporation for the city of New York; to amend the state finance law, in relation to bonds and notes of such corporation; and to amend the public authorities law, in relation to the termination of the authority and existence of the New York city stabilization reserve corporation", were introduced in the New York State Legislature on June 9, 1975 (S6701-A8599, and S6702-A8600, respectively), were passed in both Senate and Assembly on June 9, 1975, on a Message of Necessity from the Governor and a Home Rule Message from The City of New York, and were approved by the Governor on June 10, 1975. The passage of these bills conforms to the provisions of Article III, § 14 and Article IX, § 2 of the Constitution of the State of New York. I conclude, therefore, that the Acts have been validly enacted and have become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and are in full force and effect. By chapters, 874 and 875 of the Laws of 1975 (A. 5 and A. 15, Extraordinary Session), the above referenced Acts were further amended. The amendments passed both Houses of the Legislature, on a Message of Necessity from the Governor, on November 14, 1975. The passage of these Acts conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I conclude, therefore, that the amendments have been validly enacted and have become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and are in full force and effect. By Chapter of the Laws of 1977 (A. and S. ), the above referenced Acts were further amended. The Amendments passed both Houses of the Legislature, on a Message of Necessity from the Governor, on June , 1977. The passage of these Acts conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I conclude therefore, that the Amendments have been validly enacted and have become law upon the Governor's approval in accordance with the Constitution and laws of the State of New York and are in full force and effect. By Chapter of the Laws of 1977 (A. and S. ), the above referenced Acts were further amended. The Amendment passed both Houses of the Legislature, on a Message of Necessity from the Governor, on June , 1977. The passage of this Act conforms to the provisions of Article III, § 14 of the Constitution of the State of New York and I further conclude therefore, that the Amendment has been validly enacted and has become law upon the Governor's approval in accordance with the Constitution and the laws of the State of New York and are in full force and effect. I further conclude that none of such Acts violate, or conflict with, any terms or provisions of applicable law, including the State Constitution, or applicable regulation.

2. The execution, delivery and performance by the Corporation of, and compliance with the Resolutions and the 1978 Series JJ Bonds, if performed as provided in the Resolutions and in the Bonds, will not result in a violation of or be in conflict with any term or provision of the Acts or any other applicable law, including the Constitution of the State of New York, or regulation of the State of New York, except as may be limited by validly enacted moratorium or bankruptcy legislation.

3. The Corporation has the right and power under the Acts to adopt the Resolutions, and the Resolutions have been duly and lawfully adopted by the Corporation, are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, and no other authorization for the Resolutions is required; and the Resolutions create the valid pledge which they purport to create of the revenues, moneys and securities in the Debt Service Fund and Capital Reserve Fund established by the General Bond Resolution and other moneys and securities referred to therein, subject to the application thereof to the purposes and on the terms and conditions permitted by such Resolutions. All revenues, moneys and securities, as and when received in the Debt Service Fund and
the Capital Reserve Fund in accordance with the Resolutions, will be validly subjected to the pledge and
lien created by the Resolutions.

4. As certified to me by the Corporation, the 1978 Series JJ Bonds have been duly authorized and
issued by the Corporation in accordance with the laws of the State, including the Constitution of the State
and the Acts, and in accordance with the Resolutions. The 1978 Series JJ Bonds are valid and binding
general obligations of the Corporation payable as provided in the Resolutions, are enforceable in
accordance with their terms, respectively, and the terms of the Resolutions, and are entitled, together with
additional bonds issued under the General Bond Resolution, to the equal benefit, protection and security
of the provisions, covenants and obligations of the General Bond Resolution and of the Acts.

5. The General Bond Resolution, pursuant to the Acts, provides that the Chairman of the Corpo-
ration shall annually, on or before December 1, make and deliver to the Governor and State Budget
Director his certificate stating such sum, if any, as shall be necessary to restore the amount in such Capital
Reserve Fund to an amount equal to the Capital Reserve Fund requirement under the General Bond
Resolution. Subdivision 4 of Section 3036 of the Public Authorities Law, providing for the appropriation
and payment to the Corporation for deposit in the Capital Reserve Fund of such sum as shall be so certified
by the Chairman, does not constitute an enforceable obligation or debt of the State, the amount of such
sum being subject to annual appropriation for such purpose by the State Legislature, which is empowered,
but is not bound or obligated, to appropriate such amount.

6. The General Bond Resolution, pursuant to the Acts, provides that the Chairman of the Corpo-
ration shall certify to the State Comptroller and the Mayor of The City, the amounts required, pursuant
to subdivision 1 of Section 3036 of the Public Authorities Law, for deposit in the funds established
by the General Bond Resolution at the time or times and in the manner provided therein, including the
amounts required for deposit in the Debt Service Fund to pay all interest and all principal and redemption
premium, if any, on notes and bonds maturing or otherwise coming due and for deposit in the Capital
Reserve Fund to maintain such Fund at such Capital Reserve Fund requirement. Said subdivision
provides for the State Comptroller to pay such amounts to the Corporation for deposit as aforesaid, the
source of such payments being the Tax Assistance Fund into which is paid the Sales Tax, and to the
extent required, out of the Stock Transfer Tax Fund, the Stock Transfer Tax. The amount of such
payments out of the Tax Assistance Fund to the Corporation are subject to annual appropriation for
such purposes by the Legislature of the State which is empowered, but is not bound or obligated, to
appropriate any such amounts so certified by the Chairman, as aforesaid.

7. The 1978 Series JJ Bonds do not constitute a legally enforceable obligation upon the part of
either the State or the City, nor create a debt on behalf of either the State or the City, and neither the
State nor the City shall be liable thereon, nor shall the 1978 Series JJ Bonds be payable out of any
funds other than those of the Corporation.

8. The State has the lawful authority:

(a) to provide for the appropriation of, and at least annually to appropriate to the Corpora-
tion, from the Special Tax Account and from the Stock Transfer Tax Fund, amounts sufficient to
enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes,
but the State is not bound or obligated to make such appropriations;

(b) to establish the Stock Transfer Tax Fund, the Tax Assistance Fund and the Special Tax
Account within the Tax Assistance Fund but the State is not bound or obligated to maintain the
existence of said funds or accounts;

(c) to suspend the power of the City to adopt local laws for the imposition of certain sales
and compensating use taxes and the taxes levied thereunder, in accordance with the Tax Law of
the State of New York; and
(d) to impose and to increase or decrease the Municipal Assistance Sales and Compensating Use Tax and the Stock Transfer Tax but the State is not bound or obligated to continue the imposition of said taxes.

9. Under existing statutes and court decisions, interest on the 1978 Series JJ Bonds is exempt from Federal income taxes and shall at all times be free from New York State and New York City personal income taxes.

10. The Legislature appropriated the Municipal Assistance Sales and Compensating Use Tax and the amount transferred from the Stock Transfer Tax Fund to the Corporation for the fiscal year ending March 31, 1978, in the maximum amount of Dollars ($ ) by chapter of the Laws of 1977. The Appropriation Act, "An Act making appropriations for the support of government—State Purposes Object" (S -A, A -A) was introduced in both the Senate and Assembly on January 20, 1976, was passed in the Senate under a Message of Necessity from the Governor on March , 1977. On March , 1977 the bill was transmitted to the Governor and to the Secretary of State and became law on March , 1977, except as to items vetoed by the Governor which do not include the appropriation to the Corporation. The passage of this Act conforms to the provision of Article III, § 14 Article VII, § 4 of the Constitution of the State of New York. I conclude, therefore, that the appropriation has been validly enacted and has become law and is in full force and effect.

This opinion constitutes my full and only opinion as to the Bond Purchase Agreement, dated December , 1977, relative to the 1977 Series JJ Bonds.

Very truly yours,

LOUIS J. LEFKOWITZ
Attorney General
CERTIFICATE OF THE COMMISSIONER
OF TAXATION AND FINANCE.

I, James H. Tully, Jr., Commissioner of Taxation and Finance of the State of New York, do HEREBY CERTIFY as follows:

1. I have reviewed the information contained in the final Official Statement dated December , 1977, as the same has been heretofore supplemented or amended as of the date hereof (the "Official Statement") of the Municipal Assistance Corporation For The City of New York under the sections captioned "Provisions For Payment of the Bonds—Sales Tax" and "Provisions For Payment of the Bonds—Stock Transfer Tax."

2. The information contained in such sections of the Official Statement (except for (i) information concerning demographic and economic trends or factors, (ii) the statement concerning the comparison of the increase in sales and compensating use tax and Sales Tax collections to the rate of inflation and, (iii) the reference to the caption "Developments Relating to the Stock Transfer Tax", with respect to each of which I express no conclusion) is true in all material respects and does not contain any untrue statements of a material fact or omit to state any material fact necessary to make the statements therein not misleading.

3. The tabular data set forth under the charts "Quarterly Collections of Sales and Compensating Use Taxes in the City" and "Quarterly Collections of Stock Transfer Tax" are accurate in all material respects and there are no material omissions.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , 1978.


Commissioner of Taxation and Finance of the State of New York
This draft is furnished solely for the purpose of indicating the form of letter which we would expect to be able to furnish to the Representatives of the Underwriters in response to their request, the matters expected to be covered in the letter, and the nature of the procedures which we would expect to carry out with respect to such matters. The text of the letter itself will depend, of course, upon the results of the procedures, which we would not expect to complete until shortly before the letter is given and in no event before the cutoff date indicated therein.

EXHIBIT G to Bond Purchase Agreement

January 1978

To the Board of Directors of
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

and

Representatives of the Underwriters referred to
in the Official Statement described herein

Dear Sirs:

We have examined the financial statements of Municipal Assistance Corporation For The City of New York (the "Corporation") as of June 30, 1977, and for the year then ended, included in the Official Statement of the Corporation dated December 1977 (the "Official Statement"); our report with respect thereto is also included in such Official Statement. In connection with the Official Statement, we hereby advise you as follows:

1. We are independent public accountants for the Corporation and as such have examined the Corporation’s Financial Statements for the year ended June 30, 1977 and expressed our opinion thereon dated July 27, 1977, except as to Note 11 which is as of September 15, 1977. We have not examined any financial statements of the Corporation as of any date or for any period subsequent to June 30, 1977; although we have made an examination for the year ended June 30, 1977, the purpose (and therefore the scope) of such examination was to enable us to express our opinion on the financial statements as of June 30, 1977 and for the year then ended. Therefore, we are unable to and do not express any opinion on the unaudited Statement of Financial Position as of September 30, 1977, Interim Statements of Transactions for the three-month period ended September 30, 1977 included in the Official Statement, or on the financial position, the Debt Service, Capital Reserve or Operating Fund transactions, or schedules as of any date or for any period subsequent to June 30, 1977.

2. For purposes of this letter we have performed the following procedures:

A. We have read the Official Statement and the minutes of the meetings of the Board of Directors of the Corporation for the period commencing July 1, 1977 and ending on the date hereof, as set forth in the minute books or made available to us in draft form at the offices of the Corporation at January 1978. Officials of the Corporation have advised us that such minutes represent minutes of all such meetings for such period.

B. We have made inquiries of certain officials of the Corporation who have responsibility for financial and accounting matters as to whether any matters other than those disclosed in the Financial Statements or the Official Statement had come to their attention which would materially affect the Financial Statements or which, although not affecting the Financial Statements or such disclosures, have caused or are likely to cause any material change, adverse or otherwise, in the financial position or transactions of the Corporation.

C. We have, with respect to the three-month period ended September 30, 1977:

(i) Read the unaudited Statement of Financial Position as of September 30, 1977 and unaudited Debt Service Fund, Capital Reserve Fund and Operating Fund statements of transactions for the three-month period ended September 30, 1977 and Exhibits 1, 2 and 3 thereto.
(ii) Made inquiries of certain officials of the Corporation who have responsibility for financial and accounting matters as to whether the unaudited financial statements referred to under 2C(i) are presented fairly in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements included in the Official Statement.

The foregoing procedures do not constitute an examination made in accordance with generally accepted auditing standards. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representation as to the sufficiency of the foregoing procedures for your purposes.

3. Nothing came to our attention as a result of the procedures described in 2C, however, that caused us to believe that the unaudited financial statements described in 2C(i), included in the Official Statement, are not presented fairly in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements.

4A. With respect to the period from October 1, 1977 to November 30, 1977, we have:

(i) Read the unaudited financial statements of the Corporation at November 30, 1977 and for the five months then ended furnished to us by the Corporation, officials of the Corporation having advised us that no such financial statements as of any date or for any period subsequent to November 30, 1977 were available; and

(ii) Made inquiries of certain officials of the Corporation who have responsibility for financial and accounting matters as to whether the unaudited financial statements referred to under 4A(i) are stated on a basis substantially consistent with that of the audited financial statements included in the Official Statement.

B. As mentioned in 4A(i), Corporation officials have advised us that no financial statements as of any date or for any period subsequent to November 30, 1977 are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after November 30, 1977 have, of necessity, been even more limited than those with respect to the period referred to in 2C. We have made inquiries of certain officials of the Corporation who have responsibility for financial and accounting matters as to whether from the period October 1, 1977 to January 1, 1977 there has been any change in: (i) total bonds and notes payable of the Corporation, (ii) the amount of the Debt Service Fund assets and the amounts certified by the Chairman of the Corporation as necessary to be in such Fund and amounts which, because of events subsequent to such certification with respect to bonds issued under the Second General Bond Resolution, are no longer required to be in such Fund; and (iii) the amount of the Capital Reserve Fund and the amounts required by the Municipal Assistance Corporation Act for The City of New York, as amended, (the “Act”) as necessary to be in such Fund.

On the basis of these inquiries and our reading of the minutes as described in 2A, nothing came to our attention as of January 1, 1977 that caused us to believe that: (i) there were any changes in the total bonds and notes payable of the Corporation, except for changes which are disclosed in the Financial Statements or the Official Statement, (ii) the amount of the Debt Service Fund assets was less than the amount certified by the Chairman of the Corporation as necessary to be in such Fund (after deducting amounts which, because of events subsequent to the certification with respect to bonds issued under the Second General Bond Resolution, are no longer required to be in such Fund) and (iii) the amount of the Capital Reserve Fund was less than the amount certified by the Chairman of the Corporation as required by the Act to be in such Fund.

5. In addition to the examination of the Financial Statements and the limited procedures described above, we have, for the purposes of this letter, and at your request, read and performed the following procedures with respect to the table (the “Table”) entitled “Debt Service Payment Requirements and Estimated Coverage Ratios” which appears on page 17 of the Official Statement:
A. With respect to the data set forth in columns 1 through 3 of the Table, we reviewed an unaudited calculation sheet which showed (i) the removal of the annual amounts of combined debt service for Series B Bonds from the total annual amounts of debt service on existing First Resolution Bonds and (ii) the addition of the pro forma debt service on the 1978 Series JJ Bonds. Such removal and addition appear to be correctly applied to the debt service amounts.

B. We checked the arithmetic accuracy of the coverage ratios appearing in columns 4 and 5 of the Table by dividing a net revenue amount reported in the Official Statement by the corresponding debt service amount in each year and found them to be correct. The net revenue amount was stated to represent the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax collections (after deducting expenses of administration) by the State for the twelve months ended September 30, 1977</td>
<td>$864,405</td>
</tr>
<tr>
<td>Stock Transfer Tax collections excluding the surcharge (after deducting expenses of administration) by the State for the twelve months ended September 30, 1977</td>
<td>229,992</td>
</tr>
<tr>
<td><strong>Less</strong>—The Corporation's current estimate of operating expenses for the current fiscal year ending June 30, 1977</td>
<td>5,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,088,897</td>
</tr>
</tbody>
</table>

The procedures referred to above do not constitute an examination made in accordance with generally accepted auditing standards. Also, such procedures would not necessarily reveal matters of significance with respect to the comments in such paragraphs. Accordingly, we make no representations as to questions of legal interpretation or as to the sufficiency of such procedures for your purposes. Further, we have addressed ourselves solely to the foregoing data as set forth in the Official Statement and make no representation as to whether additional information may be required to be set forth in the Official Statement to render such data not misleading.

6. This letter is solely for the information of the Board of Directors of the Corporation and for the information of and assistance to the underwriters in conducting and documenting their review of the affairs of the Corporation in connection with the mailing of its Official Statement. This letter is not to be used, circulated, quoted or otherwise referred to within or without the underwriting group for any other purpose, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except the Bond Purchase Agreement between the Corporation and the Underwriters and related closing documents.

Very truly yours,

[Price Waterhouse & Co.]