MUNICIPAL ASSISTANCE CORPORATION FOR
THE CITY OF NEW YORK

1976 SERIES 5 BONDS

TABLE OF CONTENTS

BASIC DOCUMENTS, APPROVALS AND CERTIFICATES


2. General Certificate of the Municipal Assistance Corporation For The City of New York (the "Corporation") as to Members, Officers, Terms of Office and other details of the Corporation including by-laws; minutes; certain resolutions; approval of the State Comptroller as to the terms of sale and system of accounts; and specimen bonds.

3. Extract of the Minutes of a Meeting of the Corporation held on November 25, 1975 showing adoption of the Second General Bond Resolution of the Corporation (the "Resolution") and held on May 18, 1976 showing adoption of the Series 5 Resolution (the "Series Resolution") of the Corporation authorizing: (i) the issuance of the 1976 Series 5 Bonds (the "Bonds"); and (ii) the exchange offer to the holders of certain short-term notes of The City of New York (the "Exchange Offer").


5. The certificate of approval of the Comptroller of the State required pursuant to Sections 3012 and 3013 of the New York State Municipal Assistance Corporation Act.

6. Written order of the Corporation as to the delivery and authentication of the Bonds.


OPINIONS

8. The opinion of Messrs. Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation, together with reliance opinion to Trustee.

10. The approving opinions of Messrs. Hawkins, Delafield & Wood, Bond Counsel to the Corporation, together with reliance opinion to Trustee.

TRUSTEE AND PAYING AGENTS DOCUMENTS

11. Trustee's Certificate with attached copy of an excerpt of the By-Laws showing authority for officers to authenticate the Bonds.

12. Opinion of Counsel for Trustee with Respect to the Trustee's authority to act as Trustee.


EXCHANGE AGENT DOCUMENTS


15. Instructions to Exchange Agent as to disposition of tendered City Notes.


17. Exchange Agent's acknowledgment of receipt of Bonds of the Corporation to be delivered pursuant to the Exchange Offer.

MISCELLANEOUS


19. Form of Letters of Transmittal.

20. Form of Acknowledgment of Interest.

21. Form of publication of Exchange Offer and Certificate as to Publication.

22. Agreement among the Corporation and certain banks and broker-dealers as to distribution of Exchange Offer materials.
23. Irrevocable Letter of Instructions to Forwarding Agents.
24. Order as to delivery of Bonds and Acknowledgments.

ADDITIONAL CERTIFICATIONS

26. Certificate as to Per Capita Aid.
27. Certificate required pursuant to Section 202(3) and (4) of the Resolution.
NEW ISSUE

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 1976 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.

EXCHANGE OFFER

TO HOLDERS OF CERTAIN SHORT-TERM NOTES OF THE CITY OF NEW YORK

$500,000,000

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

(A Corporate Governmental Agency and Instrumentality of the State of New York)

8% 1976 BONDS DUE JULY 1, 1991 SERIES 5

The Municipal Assistance Corporation For The City of New York hereby offers to exchange with holders of up to $500,000,000 principal amount of certain revenue anticipation notes and bond anticipation notes of The City of New York (the "City Notes"), its 1976 Bonds in an aggregate principal amount equal to such aggregate principal amount of the City Notes tendered hereunder, subject to the terms and conditions stated herein. An aggregate of $1,141,900,000 principal amount of City Notes is outstanding for which the Exchange Offer is made. The Corporation may, but is not obligated to, accept for exchange additional City Notes if more than $500,000,000 principal amount of City Notes is tendered. Persons tendering City Notes pursuant to the Exchange Offer will receive 1976 Bonds in exchange therefor and will retain the right to receive from the City the interest on tendered City Notes accrued from the respective stated maturity dates of the City Notes through the Expiration Date of the Exchange Offer. The City has advised the Corporation that interest is accruing on the City Notes at the rate of 6% per annum. All tendering holders will receive acknowledgment of their rights to receive interest from the City. The Corporation does not assume any obligation, by reason of the Exchange Offer or otherwise, to pay or otherwise provide for the payment of interest on any City Notes.

If a principal amount of City Notes greater than $500,000,000 is tendered to the Corporation and the Corporation determines either not to accept an amount greater than $500,000,000 or to accept an amount greater than $500,000,000 but less than the total amount of City Notes tendered, the Corporation will accept City Notes tendered on a pro rata basis as is more fully described herein.

The Exchange Agent is United States Trust Company of New York.

The Exchange Offer will expire at 5:00 P.M., Eastern Daylight Time, on June 21, 1976. At the election of the Corporation, the Exchange Offer may be extended, but it is the present intention of the Corporation not to extend the offer. All tenders are revocable until 3:30 P.M., Eastern Daylight Time, on June 7, 1976, and thereafter are irrevocable. See "Exchange Offer" as to the procedure for tendering City Notes.

Interest on the 1976 Bonds accrues from the Expiration Date of the Exchange Offer and is payable on January 1, 1977 and semi-annually on each July 1 and January 1 thereafter. A fully registered bond will be issued initially to each tendering holder in a denomination equal to the amount of such holders’ City Notes accepted. After 30 days, such registered bonds will be exchangeable for coupon bonds in denominations of $5,000 each, such coupon bonds to be registrable as to principal only, or for fully registered bonds in the denominations of $5,000 or multiples of $5,000 (and only where necessary, $1,000 denominations). Registered bonds are immediately exchangeable for registered bonds as more fully described herein. Coupon and registered bonds (other than any $1,000 denomination registered bonds) are interchangeable as more fully described herein. The Trustee for the 1976 Bonds is United States Trust Company of New York.

The 1976 Bonds are subject to optional and mandatory redemption, including redemption by operation of the sinking fund commencing July 1, 1982, as described herein.

The 1976 Bonds will be issued under the Corporation’s Second General Bond Resolution and are payable from certain per capita state aid and, to the extent not required for payment of certain other obligations of the Corporation, 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 to appropriate or apportion from its General Fund or otherwise such per capita state aid or to impose such taxes or to make the necessary payments of such per capita state aid or to appropriate revenues received from such taxes. The Corporation has no taxing power. The 1976 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 1976 Bonds.

See the accompanying Letter of Transmittal for the names and addresses of the Exchange Agent and of the Forwarding Agents through whom City Notes may be tendered.

May 21, 1976
No 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 exchange or the solicitation of an offer to exchange nor shall there be any exchange of the 1976 Bonds for City Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or exchange. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any exchange made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation since the date hereof. This Official Statement is submitted in connection with the exchange of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>EXCHANGE OFFER</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>3</td>
</tr>
<tr>
<td>Provisions for Other Short-Term Obligations of the City</td>
<td>4</td>
</tr>
<tr>
<td>Tender Procedure</td>
<td>5</td>
</tr>
<tr>
<td>Tax Consequences</td>
<td>7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BONDS BEING OFFERED</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moratorium, Bankruptcy and Stay Legislation</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RIGHTS OF THE NOTEHOLDERS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constitutional and Statutory Rights</td>
<td>14</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CERTAIN PROPOSALS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certain Proposals</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CERTAIN DEVELOPMENTS AFFECTING THE STATE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulties prior to and during the 1975-76 Fiscal Year of the State</td>
<td>16</td>
</tr>
<tr>
<td>Plans for the 1976-77 Fiscal Year</td>
<td>17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>THE CORPORATION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Considerations Affecting 1976 Bonds and City Notes</td>
<td>29</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUTSTANDING DEBT OF THE CORPORATION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for Payment of the Bonds</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGREEMENT OF THE STATE OF NEW YORK</td>
<td>71</td>
</tr>
<tr>
<td>LEGAL INVESTMENT</td>
<td>71</td>
</tr>
<tr>
<td>APPROVAL OF LEGALITY</td>
<td>72</td>
</tr>
<tr>
<td>TAX EXEMPTION</td>
<td>72</td>
</tr>
<tr>
<td>UNAUDITED FINANCIAL STATEMENTS</td>
<td>F-1</td>
</tr>
<tr>
<td>OPINION OF BOND COUNSEL</td>
<td>Exhibit</td>
</tr>
</tbody>
</table>

Lazard Frères & Co.—Financial Advisor
OFFICIAL STATEMENT
OF
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
(A Corporate Governmental Agency and Instrumentality of The State of New York)

EXCHANGE OFFER

General

This Official Statement of the Municipal Assistance Corporation For The City of New York (the “Corporation”) sets forth information concerning the offer (the “Exchange Offer”) by the Corporation to exchange certain of its bonds due July 1, 1991, subject to mandatory sinking fund redemption commencing July 1, 1982, and certain optional redemption, bearing interest at the rate of 8% per annum, as more particularly described herein (the “1976 Bonds”) for up to $500,000,000 principal amount of certain outstanding notes of The City of New York (the “City”) described in the table below (the “City Notes”). An aggregate of $1,141,900,000 of City Notes is outstanding. The Corporation may, but is not obligated to, accept for exchange additional City Notes if more than $500,000,000 principal amount of City Notes is tendered. The 1976 Bonds are to be issued pursuant to the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, both as further amended (the “Act”), the second general bond resolution dated November 25, 1975 of the Corporation (the “Second General Bond Resolution”) and the series resolution of the Corporation authorizing the 1976 Series 5 Bonds (the “1976 Series Resolution”). The Second General Bond Resolution and the 1976 Series Resolution are sometimes collectively referred to herein as the “Resolution.”

The City Notes are subject to the provisions of the New York State Emergency Moratorium Act for the City of New York (the “Moratorium Act”) and each of the conditions to the effectiveness thereof as to the City Notes required to be fulfilled to the date hereof has been fulfilled. The City has advised the Corporation that the City Notes currently bear interest at the rate of 6% per annum, which interest is payable annually. See “Moratorium, Bankruptcy and Stay Legislation—Moratorium Legislation.” For a description of the rights of holders of City Notes who do not exchange their City Notes, see “Rights of the Noteholders” and “Moratorium, Bankruptcy and Stay Legislation.”

For a description of the 1976 Bonds, see “Bonds Being Offered” and “Description of the 1976 Bonds.”

On November 26, 1975, the Corporation made an offer (the “First Offer”), to holders of certain notes of the City (including the City Notes), to exchange 8% Bonds of the Corporation maturing July 1, 1986 and subject to mandatory sinking fund redemption commencing July 1, 1977, for such notes of the City. Pursuant to the First Offer, an aggregate of $458,275,000 principal amount of such notes of the City was tendered to and accepted by the Corporation in exchange for an equal principal amount of the Corporation’s 8% 1975 Series 1 through 4 Bonds.

The City Notes are entitled Revenue Anticipation Notes (“RANs”) and Bond Anticipation Notes (“BANs”). The following table sets forth information provided to the Corporation by the Office of the Comptroller of the City with respect to the outstanding principal amounts of the City Notes, and the aggregate amounts of interest, at the rate of 6% per annum, that will accrue on the City Notes through June 21, 1976, from the dates on which the City Notes were stated to mature:

<table>
<thead>
<tr>
<th>Stated Maturity Dates</th>
<th>Principal</th>
<th>Interest from Stated Maturity Date through June 21, 1976</th>
<th>Total</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 11, 1975</td>
<td>$249.5</td>
<td>$7.8</td>
<td>$257.3</td>
<td>RANs</td>
</tr>
<tr>
<td>January 12, 1976</td>
<td>405.0</td>
<td>10.7</td>
<td>415.7</td>
<td>RANs</td>
</tr>
<tr>
<td>February 13, 1976</td>
<td>202.9</td>
<td>4.3</td>
<td>207.2</td>
<td>RANs</td>
</tr>
<tr>
<td>March 12, 1976</td>
<td>284.5</td>
<td>4.7</td>
<td>289.2</td>
<td>BANs</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,141.9</strong></td>
<td><strong>27.5</strong></td>
<td><strong>1,169.4</strong></td>
<td></td>
</tr>
</tbody>
</table>
Persons tendering City Notes pursuant to the Exchange Offer will retain the right to receive interest from the City on City Notes so exchanged accrued from the respective stated maturity dates of such City Notes through the Expiration Date of the Exchange Offer. The Corporation does not assume any obligation, by reason of the Exchange Offer or otherwise, to pay or otherwise provide for the payment of such accrued interest on such City Notes. The City has informed the Corporation that such accrued interest will be paid on or before the first anniversary of such respective stated maturity date for such City Notes. Interest on the 1976 Bonds accrues from the Expiration Date of the Exchange Offer and is payable on January 1, 1977 and semi-annually on each July 1 and January 1 thereafter.

Provisions for Other Short-Term Obligations of the City

The foregoing table does not include the balance of the City's outstanding notes that are held by the Corporation, the eleven New York Clearing House Banks, certain City pension funds, the State of New York (the "State") and the United States of America (the "United States"), and such notes are not included within the definition of City Notes as such term is used herein.

The eleven New York Clearing House Banks and certain City pension funds have informed the Corporation that they hold an aggregate of $819,220,000 principal amount of notes of the City with stated maturity dates of December 11, 1975 and various dates thereafter to November 9, 1976. The Exchange Offer is not being made to such banks and pension funds. The notes of the City held by such banks and pension funds are subject to the moratorium described under "Moratorium, Bankruptcy and Stay Legislation—Moratorium Legislation" and such banks and pension funds have agreed either to waive or not to assert any rights which they might have had based on the fact that the Corporation did not make a formal exchange offer to them. The banks and pension funds have agreed to defer the payment in full of principal of such notes of the City until July 1, 1986 (or the end of any extended moratorium period, if later), subject to equal annual reductions of outstanding principal during the period from the end of the moratorium period to July 1, 1986, provided, among other things, that the City timely pays interest at the rate of 6% per annum on such notes and on the City Notes, the budget of the City shall then be in balance, the City shall not be in default on any payments of principal or interest on any of its bonds and shall not be under the jurisdiction of any court pursuant to the federal bankruptcy laws or Title 6-A of the Local Finance Law. Such banks and pension funds have also agreed that, during the moratorium and deferral period, the City need not pay interest at a rate in excess of 6% per annum on such principal.

As of the date of this Official Statement, the Corporation holds notes of the City in the aggregate principal amount of $2,655,575,000 with several stated maturity dates from December 11, 1975 through October 15, 1976, including the notes received by the Corporation pursuant to the First Offer of the Corporation. The City may issue additional notes to the Corporation in connection with future advances to the City from the Corporation. The Corporation has instructed United States Trust Company of New York, as its custodian for such notes, not to present for payment of principal any notes of the City held by the Corporation until otherwise instructed.

The State holds a note of the City in the principal amount of $250,000,000 maturing on October 1, 1976. This note of the City held by the State will not be subject to any exchange offers by the Corporation and the City Financial Plan described below under "Certain Developments Affecting the City—City Financial Plan" contemplates the repayment of principal of and interest on such note at its stated maturity date.

As of the date of this Official Statement, the United States holds $250,000,000 of notes of the City maturing on June 20, 1976 and $500,000,000 of such notes maturing on June 30, 1976. Such notes were issued pursuant to the provisions of the Credit Agreement described below under "Certain Developments Affecting the City—Cash Sources". The City has stated that it anticipates that it will pay principal of and interest on such notes on such scheduled maturity dates. The City repaid $270,000,000 of notes previously issued under such Credit Agreement on April 16, 1976, and an additional $240,000,000 of such notes on May 18, 1976.
Tender Procedure

Holders of City Notes may tender them pursuant to the Exchange Offer by completing and signing the Letter of Transmittal accompanying this Official Statement and, on or prior to the Expiration Date (as defined in the Letter of Transmittal), delivering such Letter of Transmittal and the City Notes being tendered to the Exchange Agent (by hand, or by mail) at the addresses indicated below or to one of the Forwarding Agents (by hand only) at the respective addresses indicated in the Letter of Transmittal. Tenders by mail will be accepted only if actually received by the Exchange Agent on or before the Expiration Date regardless of the date of mailing. Tender of the City Notes may also be effected by or through a member firm of a national securities exchange in the United States or a bank which is a member of the Federal Reserve System, if such firm or bank shall have advised the Exchange Agent in writing by telegram or otherwise on or prior to the Expiration Date that it has a duly completed and signed Letter of Transmittal, and the accompanying City Notes, in its possession and guarantees that the same will be delivered to the Exchange Agent by 5:00 P.M., Eastern Daylight Time, on June 23, 1976 (regardless of any extension of the Expiration Date), and the same are actually so delivered. The “protection” procedure described in the preceding sentence will be available only through the Exchange Agent and not through any Forwarding Agent. More detailed instructions concerning tender of the City Notes are contained in the Letter of Transmittal.

The Exchange Agent is:

UNITED STATES TRUST COMPANY
OF NEW YORK

By Hand
130 John Street
20th Floor
New York, N. Y. 10038
Attention: Corporate Trust and Agency Services (MAC Exchange)
(212) 344-5105

By Mail
130 John Street
New York, N. Y. 10038
Attention: Corporate Trust and Agency Services (MAC Exchange)
(212) 344-5105

The availability of the documents discussed in this Official Statement at any office of the Exchange Agent, any of the Forwarding Agents or any other bank or securities dealer does not imply any recommendation by them as to the merits of the Exchange Offer or any representation by them as to the accuracy or completeness of this Official Statement.

The Corporation will accept all City Notes tendered up to an aggregate principal amount of $500,000,000. The Corporation may, but is not obligated to, accept any amount of City Notes tendered in excess of $500,000,000. If a principal amount of City Notes greater than $500,000,000 is tendered to the Corporation and the Corporation determines either not to accept an amount greater than $500,000,000 or to accept an amount greater than $500,000,000 but less than the total amount of City Notes tendered, the Corporation will accept City Notes tendered on a pro rata basis. In such a case the amount of each City Note tendered which the Corporation will accept will be determined by (i) multiplying the principal amount of such City Note by a fraction, the numerator of which equals the aggregate amount which the Corporation determines that it will accept (exclusive of any increase in such amount resulting from accepting City Notes on a pro rata basis), and the denominator of which equals the aggregate amount of City Notes tendered pursuant to the Exchange Offer and (ii) rounding the result so obtained to the nearest $1,000. As a result of such rounding off process, the Corporation may accept up to $34,500,000 of City Notes in addition to the amount of City Notes which it otherwise determines to accept.

To the extent that as a result of such proration provisions the Corporation does not accept a portion of the principal amount of City Notes tendered, City Notes imprinted with a legend to reflect (i) that the portion accepted for exchange is no longer evidenced by such City Notes, (ii) that the portion which is not accepted for exchange is evidenced by such City Note as reduced in principal amount and (iii) the registration of such City Note, will be returned as specified in the Letter of Transmittal. Such imprinted City Notes so returned will be registered by the City in the name specified in the Letter of Transmittal. The registered owner of such returned City Note or his duly authorized representative shall have the
With respect to the tax consequences to financial institutions described in Section 582(c)(1) of the Code, the exchange of the City Notes for the 1976 Bonds is not considered an exchange of a capital asset and any gain or loss resulting therefrom will not be treated as a capital gain or loss.

If the initial fair market value of the 1976 Bonds is less than the face amount of such Bonds, the difference may constitute original issue discount. To the extent that such difference does constitute original issue discount, it will be treated as tax exempt interest under Section 103(a) of the Code with the result that each holder will be entitled, upon the maturity, earlier redemption or sale of the 1976 Bonds, to treat as interest exempt from tax, that portion of the original issue discount which bears the same ratio to such original issue discount as the number of days he has held such 1976 Bond bears to the number of days from issuance to maturity. After the exchange, for the purpose of determining gain or loss at the maturity, earlier redemption or sale of the 1976 Bonds, their basis will be equal to their initial fair market value, subject to adjustments to basis required by the Code.

It is recommended that holders of City Notes consult their tax advisors as to the income tax consequences of exchanging City Notes for 1976 Bonds.

**BONDS BEING OFFERED**

All bonds issued under the Second General Bond Resolution, including the aggregate of $458,275,000 Series 1 through 4 Bonds issued pursuant to the First Offer (the "Series 1-4 Bonds"), the Series 5 Bonds issued pursuant to this Exchange Offer and any bonds subsequently issued under such Resolution, (herein collectively referred to as the "Bonds") are and will be general obligations of the Corporation payable out of certain revenues of the Corporation and secured by an equal charge and a first lien on all moneys and securities in the Corporation's bond service fund and capital reserve fund established under and defined in the Second General Bond Resolution (the "Bond Service Fund" and "Capital Reserve Aid Fund", respectively). The Bonds are payable from certain per capita state aid and, to the extent not required for payment of certain other obligations of the Corporation, revenues derived from certain sales and compensating use taxes imposed by the State within the City and, under certain conditions, the State stock transfer tax. The Corporation has previously issued and has outstanding an aggregate of $3,078,685,000 principal amount of bonds under another and separate general bond resolution, dated July 2, 1975 (the "First General Bond Resolution"). The Corporation has also previously issued and has outstanding an aggregate principal amount of $273,500,000 in promissory notes, of which $230,000,000 mature on September 14, 1976 and $23,500,000 mature on December 31, 1976. (The holders of the promissory notes maturing on December 31, 1976 have agreed in principle to an extension of the maturity of such notes to February 15, 1977.) The holders of the bonds issued under the First General Bond Resolution (the "First Bonds") and the holders of the promissory notes referred to above (the "Promissory Notes") have a claim prior to that of the holders of the Bonds, including the 1976 Bonds, on all amounts received by the Corporation from the State as payments from the Municipal Assistance Tax Fund, including the revenues from the Sales Tax and the Stock Transfer Tax (as defined below). Additional obligations may be issued under the First General Bond Resolution to the extent provided for therein but subject to the limitations of the Second General Bond Resolution. The Bonds being offered hereby are not on a parity with the First Bonds with respect to claims on moneys in the Municipal Assistance Tax Fund. See "The Corporation", "Provisions for Payment of the Bonds" and "Summary of Certain Provisions of the Second General Bond Resolution."

As described herein, the Corporation's revenues pledged to the payment of the debt service on the Bonds are derived from amounts that otherwise would have been payable to the City as per capita state aid pursuant to Section 54 of the State Finance Law ("Per Capita Aid") and from certain State tax revenues to the extent that such tax revenues are not required to pay principal or interest on the First Bonds and the Promissory Notes. Under the Act, Per Capita Aid is payable to the Corporation from the General Fund of the State for the payment of its obligations issued under the Second General Bond Resolution after certain claims on Per Capita Aid have been paid in full. Certain State legislation enacted in April 1976 provides for the setting aside of revenues payable to the General Fund of the State, in a separate account, during the 1976-77 fiscal year of the State for the payment of short-term notes of the State issued during such fiscal year. See "Provisions for Payment of the Bonds—Per Capita Aid."
The State Finance Law provides for the establishment of a Municipal Assistance State Aid Fund (the "Municipal Assistance State Aid Fund") and a Municipal Assistance Tax Fund (the "Municipal Assistance Tax Fund") and, within each such Fund, special accounts for the benefit of the Corporation (the "Special Aid Account" and the "Special Tax Account"). The Special Aid Account will include the moneys derived from appropriation and apportionment of Per Capita Aid. The Special Tax Account contains the revenues derived from State sales and compensating use taxes within the City (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.

Amounts of Per Capita Aid apportioned and paid to the Special Aid Account are to be paid to the Corporation at such times and in such amounts as are annually certified by the Chairman of the Corporation (the "Chairman") as necessary to fund the Corporation's Bond Service Fund and Capital Reserve Aid Fund at the levels required by the Act. In addition, subject to the payment in full of all amounts required to be paid periodically to the Corporation for the payment or security of the Corporation's outstanding obligations, (and to the extent the amounts in the Special Aid Account are insufficient) amounts of Sales Tax collected and deposited in the Special Tax Account are to be paid periodically to the Corporation at such times and in such amounts as are certified by the Chairman as necessary to fund the Corporation's Bond Service Fund and Capital Reserve Aid Fund at the levels required by the Act.

Payments of amounts of Per Capita Aid into the Special Aid Account are subject to annual appropriation by the State Legislature. Payments of amounts of Sales Tax out of the Special Tax Account to the Corporation are subject to annual appropriation by the State Legislature. The State Legislature has appropriated the Sales Tax and Per Capita Aid for the State's fiscal year beginning April 1, 1976. See “Provisions for Payment of the Bonds—Appropriation by Legislature.”

The amount that will be required to fund the Bond Service Fund in any fiscal year is the amount needed to pay all interest on and principal of, and sinking fund installments as well as any redemption premium on, the Corporation's outstanding Bonds maturing or otherwise coming due during that fiscal year. See “Provisions for Payment of the Bonds.” The amount that will be required to fund the Capital Reserve Aid Fund is a fixed percentage of the amount of principal of and interest on the Corporation's outstanding Bonds maturing or otherwise coming due during a specified calendar year, including for such purpose any unpaid amounts of such principal and interest owing in respect of prior calendar years. The Corporation is not obligated to maintain any amount in the Capital Reserve Aid Fund in 1976; thereafter the fixed percentages are 25% for 1977, 50% for 1978, 75% for 1979 and 100% for 1980 and every calendar year thereafter. In the event that the aggregate amount in the Special Aid Account and the Special Tax Account shall at any time be less than the amount referred to above, as certified by the Chairman, an amount equal to the deficiency in the Special Tax Account will be transferred, subject to appropriation by the State Legislature, to the Special Tax Account from the Stock Transfer Tax Fund (the "Stock Transfer Tax Fund"). Such Fund consists of the revenues derived from the tax imposed pursuant to the Tax Law on sales or transfers of stock and certain other certificates (the "Stock Transfer Tax"). The State Legislature has appropriated the Stock Transfer Tax for the State's fiscal year beginning April 1, 1976.

Additional Bonds may be issued under the Second General Bond Resolution on a parity with the 1976 Bonds ("Additional Bonds"), provided that (i) the amount equal to the lesser of the collections of the Sales Tax and Stock Transfer Tax for a twelve consecutive calendar month period (or, in the event the Sales Tax shall not have been in effect for such period, the collections of the sales and compensating use taxes previously imposed by the City for those months the Sales Tax was not in effect) ended not more than two months prior to the date of such determination or the amounts estimated to be collectible during the succeeding twelve month period from such sources as estimated by the State Commissioner of Taxation, plus (ii) the amount of Per Capita Aid to be apportioned and paid to the Special Aid Account for the fiscal year of the State during which such Additional Bonds are to be issued, less (iii) the maximum amount of principal, including sinking fund installments, and interest maturing or otherwise coming due in the then current or any future fiscal year on any outstanding obligations of the Corporation issued pursuant to the First General Bond Resolution and the Promissory Notes, less (iv) estimated operating expenses of the Corporation for its then current fiscal year, is sufficient to pay the aggregate amount of the principal of;
including sinking fund installments, and interest maturing or otherwise becoming due in the then current or any future fiscal year on all Bonds (including the particular series or series of Additional Bonds then proposed to be issued) issued pursuant to the Second General Bond Resolution at least 1.2 times for each such fiscal year of the Corporation. The Corporation has also agreed with certain Banks and City pension funds and sinking funds which are holders of bonds of the Corporation that it will not issue any additional bonds based on debt service savings resulting from the adjustment of interest rates and maturities of bonds of the Corporation held by such holders, which adjustment is more fully described herein under "Outstanding Debt of the Corporation."

The Corporation has no taxing power. The Bonds do not constitute an enforceable obligation, or a debt, of either the State or the City and neither the State nor the City is 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 of interest on the Bonds.

See "Litigation" with respect to litigation relating to the security and source of payment for the Bonds.

For a more complete description of the funds to be used to pay the principal of, redemption premium, if any, and interest on, the Bonds see "Provisions for Payment of the Bonds."

**MORATORIUM, BANKRUPTCY AND STAY LEGISLATION**

**Moratorium Legislation**

On November 15, 1975, the State enacted the Moratorium Act. In the legislative findings accompanying the Moratorium Act, the Legislature stated that there was imminent danger that the City would be unable to pay its outstanding short-term indebtedness and even to provide those basic services essential to the health, safety and welfare of its inhabitants and the continuation of orderly government in the City. It further stated:

"The legislature recognizes and insists that the pledge of the 'faith and credit' of the city to the payment of its obligations must be respected. The legislature further recognizes that in the current financial crisis, this pledge can be honored only if the viability and resources of the city are preserved and that the continuation of essential services is vital to such preservation. The preservation of the city, the honoring of its obligations and the restoration of public confidence in the agencies of the state and of the state itself are all matters of imperative state concern and require the extraordinary exercise of the state's essential reserve and emergency powers set out in this Act to protect the vital interests of the people by sustaining the public credit and maintaining local government."

The Moratorium Act provides that during the "moratorium period", the enforcement of judgments and liens, on account of any short-term obligations of the City outstanding on November 15, 1975, including the City Notes, and the commencement or continuation of any action upon such short-term obligations are suspended, although the payment of such short-term obligations may be due by the terms thereof. The term "moratorium period" is defined in the Moratorium Act to mean the period expiring three years from the effective date of the Moratorium Act unless shortened by act of the Legislature. The Legislature may, by a subsequent amendment of the Moratorium Act, extend the moratorium period if it deems such an extension necessary. The Moratorium Act further provides that a court shall, upon the application of a person who would otherwise have the right to do the acts or commence or continue the actions suspended by the Moratorium Act, terminate such suspensions if it finds that either of the following two conditions shall not have been met:

(A) That, either before the date of maturity of the short-term obligation held by such person or not later than sixty days after such date of maturity, an offer shall have been made to exchange such short-term obligation for a bond, note or other obligation of the Corporation having a date of maturity no more than twenty years after the date of maturity of such short-term obligation and bearing interest, payable at least annually, at a rate of not less than 6% per annum; and

(B) That interest on the short-term obligation held by such person, who does not accept the offer, shall be paid to such person at the rate stated in such short-term obligation to the date of its maturity and, thereafter, at least annually, at a rate of not less than 6% per annum (and not less than the interest rate payable to any holder of such short-term obligations who has entered into an
agreement with the City which provides for issuance of an evidence of indebtedness in payment, renewal or refunding of short-term City obligations or which provides for the extension of the maturity of the short-term obligations held by such holder) until the principal of such short-term obligation is paid or otherwise discharged and at such time there shall be paid such additional interest, if any, as may be held to be mandated by the State Constitution or the United States Constitution.

In order to fulfill the condition described in paragraph A, the Corporation made the First Offer on November 26, 1975 to public holders of notes of the City (including the City Notes). Pursuant to the First Offer, an aggregate of $458,275,000 principal amount of notes was tendered to and accepted by the Corporation in exchange for an equal principal amount of the Corporation’s 1975 Series 1 through 4 Bonds. In addition, the New York Clearing House Banks and City pension funds that hold notes of the City agreed to waive or not to assert their right to receive such an exchange offer. In order to fulfill the condition described in paragraph B, the City has informed the Corporation that it has paid interest on the notes of the City (including the City Notes) presented to the City for payment at the stated annual interest rates, through the stated maturity dates of the City Notes. In order to continue to fulfill such condition, the City must pay interest at least annually at the rate of 6% (or such higher rate as may be ordered by a court) on such notes commencing on the respective maturity dates of each of such notes.

The Moratorium Act further provides that the statute of limitations for the commencement of actions on short-term notes of the City shall not run during the time period when the suspensions described above are in effect.

Actions are pending in the State and Federal courts contesting the constitutionality of the Moratorium Act under the New York State Constitution and the United States Constitution. On May 4, 1976, the Appellate Division of the State Supreme Court unanimously affirmed a previous lower court decision upholding the constitutionality of the Moratorium Act. Plaintiff has filed a notice of appeal to the Court of Appeals from the Appellate Division’s decision. No decision has been rendered to date in any Federal court action. See “Litigation—Moratorium.”

In the event that the constitutionality of the Moratorium Act is sustained by a court of final jurisdiction, such judicial determination could support the constitutionality of similar legislative enactments which may adversely affect certain terms and conditions of the Bonds and the Resolutions, including the payment of principal and interest thereon, and the enforceability thereof. For a further description of the effect of the moratorium on the rights of holders of City Notes, see “Rights of the Noteholders.”

There is no moratorium legislation in existence or, to the knowledge of the Corporation, introduced in the State Legislature that in any way relates to obligations of the Corporation, although there is no assurance that the State Legislature will not enact such legislation in the future.

Bankruptcy Legislation

On April 8, 1976, a new Chapter IX of the Federal Bankruptcy Act, entitled “Adjustment of Debts of Political Subdivisions and Public Agencies and Instrumentalities”, became effective. A petition for relief under the provisions of such Chapter may be filed by any State political subdivision or public agency or instrumentality that is generally authorized to file such a petition either by the State Legislature or by a governmental officer or organization empowered by State law to give such authorization. The Corporation is an agency and instrumentality of the State and, if so authorized to file a petition by the State Legislature or other appropriate authority, could therefore file a Chapter IX petition were it (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 petition described below. If the Corporation commenced such a Chapter IX proceeding, the Bonds would be among the debts it could seek to modify or adjust by a plan in that proceeding. The Corporation is not now authorized by the State to file a Chapter IX petition and does not anticipate that it will seek such authorization and does not anticipate a need for such relief.
The City is authorized by the State to file a Chapter IX petition. Therefore, pursuant to such Chapter, if the City is insolvent or unable to meet its debts as they mature, the City or the Emergency Financial Control Board (the "Control Board") may file in a Federal Bankruptcy Court within the City a petition reciting that the City desires to effect a plan to adjust or modify its outstanding debts, including the City Notes. Such an adjustment could include the reduction of the principal of, or interest on, the City Notes, or the extension of the time for payment of such principal or interest, or both a reduction and an extension of both principal and interest. In a Chapter IX petition, the City would be required to allege (a) that it had successfully negotiated a plan of adjustment of its debts with creditors holding at least a majority in amount of the claims of each class of creditors affected by the plan; or (b) that it had negotiated in good faith with its creditors concerning a plan and had failed to obtain the requisite majority approval; or (c) that such negotiation with its creditors was impracticable; or (d) that it had a reasonable fear that one or more of its creditors might attempt to obtain a preference, as that term is defined in Section 60a of the Federal Bankruptcy Act.

Following the filing of a petition, and during the pendency of a Chapter IX proceeding, the court may (a) permit the City to reject executory contracts and unexpired leases, and (b) permit the City to issue certificates of indebtedness for such consideration as the court approves, and upon such terms and conditions, and with such security and priority in payment over existing obligations (including the City Notes, but not including operating expenses of the City), as the court may deem equitable.

Chapter IX provides that the filing of a petition, unless and until the Bankruptcy Court orders otherwise, operates to stay the commencement or continuation of any act or action seeking to enforce any claim or lien against the City, its property or its taxes or assessments, or the enforcement of any set-off or counterclaim relating to any contract, debt or obligation of the City, including the City Notes.

A proposed plan for the adjustment of the City's debts may be filed with a Chapter IX petition, or at such later time during the pendency of the Chapter IX proceeding as the court prescribes. The plan may include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured, including holders of the City Notes, either through issuance of new securities of any character or otherwise. To become effective, (a) the plan, unless it makes provision for the payment of their claims in cash in full or otherwise protects their interests, claims or liens, must be approved by creditors holding at least two-thirds in amount and more than 50% in number of the claims of creditors in each class affected by the plan, including holders of the City Notes, who file acceptances or rejections of the plan within the time fixed by the court, and (b) the plan must also be confirmed by the court, after hearing, based upon its finding, among other things, that (i) the plan has been accepted by the requisite number of creditors, (ii) the plan is fair and equitable and feasible and does not discriminate unfairly in favor of any creditor or class of creditors, and (iii) the City is not prohibited by law from taking any action necessary to be taken by it to carry out the plan. Confirmation of the plan by the court is binding on the City and all of its creditors, including holders of the City Notes, whether or not such creditors accepted the plan. Upon confirmation of the plan and the depositing with the court of any money, securities or other consideration to be distributed under the plan, the City is discharged from all claims against it, including those of holders of the City Notes, covered by the plan.

Although the filing by the City of a Chapter IX petition might have a general negative effect on the economic health of the City, the Corporation believes that the filing by the City of a Chapter IX petition would not have a material adverse affect on the available revenues of the Corporation and, thus, would not affect the ability of the Corporation to repay its obligations, including the 1976 Bonds. The Corporation at present holds an aggregate of approximately $2,655,575,000 of obligations of the City which, like the City Notes and other debts of the City, would be subject to adjustment or modification in any Chapter IX proceeding initiated by the City. The filing of such a petition under Chapter IX by the City, like other financial developments with respect to the City, would probably have an effect on the existence of a market and the market price for the City Notes, and might affect the market and market price for the 1976 Bonds.

The filing of a Chapter IX petition by the City would cause a failure of a condition to the obligation of the City pension funds to purchase bonds of the City or of the Corporation pursuant to the Amended and Restated Agreement among the Corporation, such pension funds and certain other parties and a failure of a closing condition to the obligations of the institutional holders of short-term obligations of the City and
bonds of the Corporation to effect an adjustment of such obligations pursuant to such Amended and Restated Agreement, see “Certain Developments Affecting the City—Cash Sources” and “Outstanding Debt of the Corporation.” In addition, such action might cause the Secretary of the Treasury to refuse to make any additional loans to the City pursuant to the Credit Agreement among the City, the United States and certain other parties and to demand payment of outstanding loans under the Credit Agreement, see “Certain Developments Affecting the City—Cash Sources.”

Stay Legislation

Prior to the adoption of the Moratorium Act and as part of the Financial Emergency Legislation referred to under “Certain Developments Affecting the City”, the Legislature adopted certain amendments to the Local Finance Law constituting Title 6-A of such law (“Title 6-A”) applicable to the City during its “Emergency Period”, which is defined in the Financial Emergency Act as the period commencing September 9, 1975 and ending on the date when the Control Board determines that the expense budget of the City shall have been in balance for one fiscal year in accordance with the accounting methods prescribed for such budget by the State Comptroller pursuant to the Act. Pursuant to Title 6-A, if the City is unable, during the Emergency Period, to pay its debts or obligations as they mature, the City or, in the event the City refuses to do so, the Control Board may file in the State Supreme Court in any county within the City a petition which shall operate for a period of ninety days, or longer if extended by the Court, to prohibit the doing of any act, and to stay the commencement or continuation of any action, seeking to apply or enforce against the City or its funds, property, receivables or revenues, any order, judgment, lien, set-off or counterclaim relating to any contract, debt or obligation of the City, including the City Notes, or seeking the assessment, levy or collection of taxes by or for the City or the application of any funds, property, receivables or revenues of the City. Title 6-A further provides that, upon the filing of such a petition, a repayment plan (the “Repayment Plan”) may be filed by the City or, in the event the City refuses to file such a Plan, by the Control Board. Title 6-A provides that, upon the filing of the Repayment Plan, the court shall enter an order approving the Repayment Plan and extending any stay then in effect as against all creditors of the City for such additional period of time as is required to carry out fully all of the terms and provisions of the Repayment Plan with respect to those creditors who accept the Repayment Plan or any benefits thereunder if the court finds: (a) that the Repayment Plan provides for the eventual satisfaction of all debts and obligations of the City, including the City Notes, affected thereby; (b) that, giving due regard to the financial condition of the City and to the necessity for the City to expend moneys for services and purposes determined to be necessary by the Control Board, the Repayment Plan provides as prompt payment to all creditors affected thereby, on a fair and equitable basis, as is practicable in the circumstances; (c) that the Repayment Plan preserves any applicable priorities among creditors or classes of creditors; and (d) that the Repayment Plan was approved by the Control Board. In the event that the court is unable to make such findings as to the Repayment Plan, Title 6-A provides that the court shall extend and, in its discretion, upon the filing of any further amended Repayment Plans it may extend the stay then in effect for such additional period of time as is required to permit the court to enter an order containing the findings described above with respect to the amended Repayment Plan and, upon making such findings, further extending the stay.

Title 6-A provides that the Repayment Plan may, with court approval, be modified by the City or the Control Board and that any order extending the stay may be vacated or modified if, upon motion of any creditor affected thereby, the court finds that the City has failed to comply with a material provision of the Repayment Plan or that, because of a material change in circumstances, the Repayment Plan no longer complies with the requirements described above. Upon the occurrence of the final act necessary to carry out fully all of the terms and provisions of the Repayment Plan with respect to those creditors who accept the Repayment Plan or any benefits thereunder, Title 6-A provides that the court shall enter an order vacating any stay then in effect and permanently enjoining any creditors who accepted the Repayment Plan or any benefits thereunder from commencing or continuing any action or doing any other act relating to any contract, debt or obligation included in the Repayment Plan.
Title 6-A also provides that no act may be done, and no action may be commenced, seeking to apply or enforce any order, judgment, lien, set-off or counterclaim against the City during the Emergency Period unless thirty days have elapsed since the making and serving of a written demand for payment upon the City in accordance with the procedures specified in Title 6-A.

On November 3, 1975, a national bank purporting to represent all holders of the City’s bonds acquired before June 10, 1975 served a summons and complaint addressed to the Corporation, the City, the State and certain officers of the City and State. The suit seeks, among other things, a declaratory judgment that the stay provisions, the Repayment Plan provisions and the demand for payment provisions of Title 6-A violate the State Constitution, the Federal Bankruptcy Act and the United States Constitution. For a more complete description of this lawsuit, see “Litigation—Diversion of Revenues.”

RIGHTS OF THE NOTEHOLDERS

Constitutional and Statutory Rights

The City Notes are general obligations of the City. In accordance with Article 8, Section 2 of the State Constitution, the faith and credit of the City has been pledged to the payment of such principal and interest. The City has power to levy ad valorem taxes upon all the taxable real property within the City without limitation as to rate or amount to make such payments. Article 8, Section 12 of the State Constitution provides that the Legislature shall not restrict the power of the City to levy such taxes for the payment of indebtedness. The holder of any City Note has a contractual right (subject to applicability of the Moratorium Act) to payment of principal and interest at maturity in the full amount as provided by the obligation; upon failure of payment of interest or principal or both the holder has the right to sue and is entitled to a judgment for the full amount due including interest thereon to maturity at the stated rate, and at the legal rate of 3% per annum thereafter. The General Municipal Law of the State provides that if the City fails to pay the judgment, and the levy on such judgment is unfulfilled, the Board of Estimate of the City is empowered to assess, levy and cause to be collected, at the same time and in like manner as other moneys for expenses are then next thereafter to be assessed, levied and collected, a sum of money sufficient to pay said judgment with interest thereon and necessary fees and expenses. Any moneys so collected shall, from time to time, be paid to the judgment creditor.

The Moratorium Act provides for a suspension of enforcement of City Notes, including the commencement or continuation of any action in any court in any jurisdiction seeking to apply to the payment of the City Notes any revenues, or seeking the assessment, levy or collection of any taxes, and the commencement or continuation of any action upon the City Notes, although the payment on such City Notes may be due by the terms thereof. If the Moratorium Act were held unconstitutional in any suit discussed herein under “Litigation—Moratorium” or any suit seeking similar relief, a holder of City Notes could pursue his rights to obtain a judgment on his City Notes and seek enforcement of the judgment. However, if such holder exchanges his City Notes pursuant to this Exchange Offer he would probably be deemed to have relinquished any rights to judgment on or enforcement of the City Notes exchanged.

Certain Litigation

In the litigation discussed herein under “Litigation—Diversion of Revenues”, the plaintiff bondholders seek a declaratory judgment that they “are entitled to have set aside sufficient sums, and be paid first, the interest and principal on their City bonds from the first revenues received by the City”. The Corporation cannot predict the outcome of the litigation as it relates to such claim nor can it predict the outcome of litigation alleging a similar cause of action relating to City Notes. If such a claim were upheld as to the City Notes and the Moratorium Act held unconstitutional, the holder of a City Note would have the right to receive the first revenues received by the City applied to the payment of his Notes. However, if the holder exchanges his City Notes he would probably be deemed to have relinquished such rights.

Several lawsuits alleging fraud under the Federal securities laws in connection with the sale of the City Notes have been instituted and are discussed herein under “Litigation—Lawsuits Alleging Fraud in the Sale of City Securities.” If such fraud is established, holders of City Notes may have the right to seek damages or rescission of such purchases. Such actions would be maintained in the Federal courts and
would not be subject to the Moratorium Act. If a holder of City Notes exchanges his City Notes he would probably be deemed to have relinquished his right to rescind, but he would probably not be deemed to have relinquished his right to seek damages.

Certain of the lawsuits discussed herein under “Litigation—Moratorium” and “Litigation—Interest on Non-Exchanged Notes” seek judgments requiring the City to pay holders of City Notes after their maturity interest in excess of the 6% annual rate of interest provided in the Moratorium Act. See “Moratorium, Bankruptcy and Stay Legislation—Moratorium Legislation.” If the plaintiffs in such actions are successful, the City, as a condition to the effectiveness of the Moratorium Act, would be required to pay persons holding City Notes, after their stated maturity, interest at such rate in excess of 6% per annum as the courts in those actions held to be mandated by the State Constitution or the United States Constitution. However, if the holder exchanges his City Notes he would probably be deemed to have relinquished his right to seek such higher rate of interest, at least from and after the exchange.

Possible Payment

Nothing in the Moratorium Act precludes the City from paying the principal of or interest on the City Notes at any time during the moratorium period; however, as discussed under “Various Control Programs—Control Board”, all moneys, including all taxes and revenues of the City, received by the City must be deposited in a special fund, disbursements from which are subject to approval by the Control Board in accordance with the City Financial Plan (defined below).

The Corporation does not believe that the City has sufficient funds available at present or in prospect to pay all of the City Notes and, as permitted by the Emergency Act (defined below), neither the City Financial Plan nor the Proposed Modified Plan now provides for any repayment of principal on the City Notes during the three-year period covered by such Plans. See “Certain Developments Affecting the City.” In the event that this Exchange Offer and any future exchange offers result in a substantial reduction in the amount of outstanding City Notes, there can be no assurance that the City will not have moneys available to pay the balance of the City Notes, as to both principal and interest. Although it is possible that the City may be able, at the end of the moratorium period or at some other time, to sell its securities in the public or private financial markets to raise money to pay the City Notes, such markets are not now available to the City and the Corporation cannot predict whether they will be available to the City for such purpose at any time in the future.

See “Certain Proposals” with respect to possible limited payment of City Notes in certain hardship situations.

CERTAIN PROPOSALS

The Corporation at present intends to offer for sale to the public up to $25,000,000 principal amount of First Bonds in small denominations shortly after the expiration of this Exchange Offer. Such an offer is subject to the completion of necessary arrangements therefor and will be made only by means of an official statement of the Corporation.

The Corporation is considering various proposals by which, if implemented, it would make available a limited amount of money for the repayment in cash of outstanding City Notes, or the redemption of certain bonds of the Corporation if, but only if, such bonds were issued in exchange for City Notes pursuant to this Exchange Offer. Pursuant to such proposals, only persons of limited means who demonstrate substantial need amounting to extreme financial hardship would qualify to have any portion of their City Notes or such bonds of the Corporation paid in cash. Substantial legal and policy questions have been raised with respect to such proposals and, accordingly, the Corporation cannot now determine whether it may legally implement any such proposal or whether, if it may legally do so, it will choose to do so. The Corporation has determined, however, that if it implements any such proposal, such proposal will be equally applicable to persons who have theretofore exchanged City Notes for bonds of the Corporation pursuant to this Exchange Offer, so that no person will be denied such an opportunity to be paid in cash by reason of such person’s tender of City Notes pursuant to this Exchange Offer.
The City has requested that the Corporation study the possibility of providing financing aid to the City for the construction of a proposed convention center. The Corporation's consideration of such request is in a preliminary stage and no decision has been made as to whether or how such request could be fulfilled pursuant to the Act and the First and Second General Bond Resolutions of the Corporation or whether the Corporation will, in its discretion, pursue such a request.

CERTAIN DEVELOPMENTS AFFECTING THE STATE

As referred to under "Bonds Being Offered" and as is more fully described under "Provisions for Payment of the Bonds", the revenues of the Corporation that are pledged to payment of debt service on the Bonds are derived from Per Capita Aid and, to the extent not required to pay debt service on the First Bonds and the Promissory Notes, the Sales Tax and Stock Transfer Tax. Per Capita Aid payable to the Corporation is payable from moneys in the General Fund of the State and the payment of revenues derived from Per Capita Aid, the Sales Tax and the Stock Transfer Tax to the Corporation is subject to appropriation by the State Legislature. Accordingly, the Corporation believes that its ability to repay the Bonds is dependent at least in part upon the financial condition of the State. In addition, although bonds of the Corporation are not obligations of either the City or the State, financial developments with respect to the City or the State, or agencies of either, may affect the existence of a market as well as the market price for the Bonds and the City Notes.

Difficulties prior to and during the 1975-76 Fiscal Year of the State

A series of developments during 1975 adversely affected the financial condition of the State and certain of its public authorities and municipalities. Partly because of these developments and partly because of the additional burdens the State assumed in providing assistance to such authorities and municipalities, late in 1975 the State lost access to the public capital market from which it had traditionally met its borrowing needs. The State's difficulties were compounded by the fact that it ended its fiscal year on March 31, 1976 with a deficit of $446,800,000 in its General Fund. This deficit was financed by a transfer of all of the remaining liquid assets ($64.8 million) of the State's Tax Stabilization Reserve Funds and the issuance of $382,000,000 of tax anticipation notes. Among the most significant of the difficulties encountered by the State since the beginning of 1975 are those described in the following paragraphs.

1. UDC Default

In late February 1975, the New York State Urban Development Corporation ("UDC"), a major public authority of the State, defaulted in payment of principal of and interest on maturing bond anticipation notes. The State appropriated $198,000,000 for UDC projects, which enabled the fulfillment of a financing plan which cured such default, and formed the New York State Project Finance Agency to finance the completion of certain UDC projects already in progress.

2. New York City and Other Municipal Crises

In early 1975, the City experienced difficulty in marketing its bonds and notes. During such year the State accelerated the payment of approximately $800,000,000 of State aid to the City, organized the Corporation, made $750,000,000 of first instance advances for the benefit of the City, and provided other assistance. The State may be called upon to provide additional financial assistance to the City.

The City of Yonkers also experienced similar difficulties during the past year and is at present subject to the supervision of a control board established by the State. The City of Buffalo has also experienced financing difficulties during the past year. The State has provided such cities with a total of approximately $30,000,000 in advances to meet their financing needs. In addition the State purchased $18,000,000 of short-term notes of Yonkers of which $3.3 million has been repaid.

3. Moratorium Legislation

Although there is no moratorium legislation in effect or proposed in the Legislature which relates to obligations of the State and although the Governor has stated that he will veto any such legislation should it be passed by the State Legislature, the Moratorium Act is believed to have caused substantial investor resistance to the purchase of any public securities emanating from the State, including obligations of the State itself.
4. Increase in Outstanding Securities of the State and its Authorities and Municipalities

Prior to the Fall of 1975, the amount of debt issued by the State, its municipalities and authorities increased substantially. In 1964 the total amount of outstanding obligations of such New York State issuers amounted to approximately $15,500,000,000. In 1974 the total amount of outstanding obligations of such New York State issuers increased to approximately $37,500,000,000. Total outstanding debt of New York State issuers has remained approximately 18% of the total public debt (exclusive of Federal debt). However, the amount of outstanding short-term debt for such New York State issuers has increased from 30% of the total outstanding short-term public debt (exclusive of Federal) to 46% of such total. Reliance upon the State by certain of its municipalities and authorities for financial assistance during their respective fiscal crises and the inter-relationship between the State and these units, created a tendency among some investors to view all such “New York” securities similarly. These factors are believed to have contributed to a decrease in the demand for “New York” securities.

Plans for the 1976-77 Fiscal Year

The State has developed plans for its 1976-77 fiscal year designed to demonstrate how it will finance its operations while maintaining customary levels of local assistance, providing certain State aid to the City in advance of the regular payment dates and preventing four financially-troubled authorities (the New York State Housing Finance Agency, the Dormitory Authority of the State of New York, the New York State Medical Care Facilities Finance Agency and the New York State Environmental Facilities Corporation, collectively the “Build-Out Authorities”) from defaulting on their obligations.

These plans call for (i) a balanced State Budget for the 1976-77 fiscal year (including the payment before the end of the fiscal year of the tax anticipation notes issued to finance the $382,000,000 of the 1975-76 deficit and all tax and revenue anticipation notes contemplated for issuance during the fiscal year), (ii) a borrowing plan to provide for the State’s estimated borrowing needs of $4,530,000,000 for the 1976-77 fiscal year (the “Fiscal 1976-77 Borrowing Plan”), (iii) a plan to meet the financing requirements, aggregating approximately $2,590,000,000, of the Build-Out Authorities (the “Authority Build-Out Plan”), and (iv) provision in the balanced State Budget for a $77,000,000 appropriation to UDC as part of the program for completion of the UDC projects and avoidance of default. In addition, legislation has been adopted placing limitations on the incurrence of additional so-called “moral obligation” debt.

The sale of an aggregate of $2,050,000,000 of tax and revenue anticipation notes on April 15, and May 17, 1976, and the sale of $59,000,000 of bonds of the State on May 14, 1976, were parts of the Fiscal 1976-77 Borrowing Plan.

Significant Factors Affecting Plans for the 1976-77 Fiscal Year

Each of the plans of the State referred to above is subject to a number of significant assumptions or contingencies that may prevent it from achieving the objective of such plans and regaining access to the public market for its securities. The most significant of such factors include the following:

1. Factors Related to a Balanced Budget for the 1976-77 Fiscal Year

   (a) Projected Revenue Increases. The 1976-77 State Budget achieves a balance by reflecting an increased yield from the State’s tax structure (after certain adjustments to exclude the effect of non-economic factors) of 7.6% and the enactment of legislation to produce additional taxes and other revenues and to generate certain nonrecurring revenues. Such increased yield is based on the estimates of revenues for the fiscal year from the many taxes imposed in the State. These estimates are based upon economic assumptions which are subject to greater uncertainty than usual because of changing State economic conditions. Generally, the most important assumption made in estimating increased revenues from such taxes is that the national recovery from recession will continue throughout the fiscal year and that the State will participate in such recovery although, in accordance with recent years’ experience, at a slower rate than nationally.
(b) Projected Expenditures. The 1976-77 State Budget further provides that overall expenditures will increase by approximately 2.7% for such fiscal year, a rate substantially lower than in the immediately preceding fiscal years. The maintenance of a balanced budget also contemplates restrictions of expenditures through administration of the State Budget by the Division of the Budget. On April 5, 1976, an action was commenced by a public interest research group seeking, in part, to limit the ability of the State Division of the Budget to control expenditures through the administration of the State Budget. The action seeks, among other things, a declaration that certain appropriation bills submitted by the Governor to the Legislature violate the State Constitutional and statutory requirements by failing to itemize some appropriations and by permitting the increase or decrease of expenditures by interchanges within certain programs. On May 12, 1976, the court issued an order denying plaintiff’s request for a preliminary injunction and dismissing the complaint in this action.

(c) Postponement of Income Tax Refunds. In order to achieve such budget balance, the State has indicated that certain exceptional measures may be implemented, including the payment after March 31, 1977 of approximately $205,000,000 of personal income tax refunds that would customarily be paid prior to such date. This measure would result in a decrease in available revenues in the 1977-78 fiscal year and increase the difficulty of achieving a balanced budget in that year. The implementation of this measure has also been opposed by certain legislators and is subject to the assumption that there will be no significant reduction in withholding because of this proposed action. Historically, the withholding patterns of state personal income taxpayers have not been materially affected by changes in tax administration. Legislation has been passed by the State Senate which, if enacted, may result in the State incurring additional costs in the 1977-78 fiscal year should it choose to defer payment of refunds on 1976 tax returns until after March 31, 1977.

(d) Repayment of First Instance Advances. Based on present projections, a balanced State budget for 1976-77 is dependent upon the repayment of an aggregate of $750,000,000 of first instance advances made to the City and the Corporation during 1975. Adequate provision for the repayment of $500,000,000 of such advances is believed to have been made. The State anticipates that the balance of $250,000,000 will be provided from the sale of certain term bonds of the Corporation issued pursuant to the First General Bond Resolution (bearing interest at a rate of 11% per annum and redeemable from sinking fund installments from 1986 through 1995) held by the State, but no assurance can be given at this time that purchasers for these bonds of the Corporation will be found.

(e) Problems of Municipalities. If any municipalities, school districts or other governmental units within the State continue to be in financial difficulty or become involved in similar financial difficulty, the State may be asked for assistance which, if provided, might result in a deficit. This is particularly significant with respect to the City. See “Certain Developments Affecting the City.”

(f) Validity of Moratorium. Litigation is pending which challenges the constitutionality of the moratorium legislation on short-term notes of the City. On May 4, 1976 the Appellate Division of the State Supreme Court unanimously upheld the constitutionality of the Moratorium Act relating to certain New York City obligations in the litigation commenced by the national bank referred to in “Litigation—Moratorium.” Plaintiff has filed a notice of appeal to the Court of Appeals, the State’s highest court. If the Moratorium Act should be found to be unconstitutional, the City may be legally required to repay immediately $1,960,000,000 of notes subject to the moratorium and, in such event, may request additional assistance from the State. If the State were to provide such assistance, assuming it were able to do so, a substantial additional financial drain on the State would result.

2. Factors Related to the Fiscal 1976-77 Borrowing Plan and the Authority Build-Out Plan

(a) Litigation Affecting Investment by the State Retirement Systems. The Corporation has been informed by the State Division of the Budget that State retirement systems have the resources to provide financing in the contemplated amount of approximately $2,600,000,000 (including the aggregate $328,000,000 referred to in paragraph (c) below) for the Fiscal 1976-77 Borrowing Plan and the Authority Build-Out Plan, but their ability to make such investments is subject to pending litigation in which plaintiffs seek to enjoin such investments. On March 29, 1976, the court denied plaintiff’s request for a preliminary injunction. If such systems should be prevented from making such investments, there are not sufficient other State sources available to cover their commitments.
(b) **Conditions of Purchasers of State Notes.** The June 1976 note sale contemplated by the Fiscal 1976-77 Borrowing Plan to certain banking and financial institutions is subject to the satisfaction of certain conditions, including, among others, that (a) no default shall have occurred on the part of the State or any Build-Out Authority relating to their respective debt obligations or guarantees or amounts due on lease purchase obligations of the State, (b) all necessary legislation enabling certain State retirement systems and certain Funds under the control of the State to fulfill their commitments under the Fiscal 1976-77 Borrowing Plan or the Authority Build-Out Plan shall remain in full force and effect and (c) no adverse decision with respect to certain litigation shall have been rendered, and, as to certain pending litigation, advice shall have been delivered that valid defenses thereto exist. The fulfillment of such conditions is not entirely within the control of the State or any other individual party to the Fiscal 1976-77 Borrowing Plan or the Authority Build-Out Plan and may be dependent upon numerous factors which cannot now be foreseen. The obligations of certain purchasers at the State note sale scheduled for June 15, 1976 are also conditioned upon obtaining assurances for the issuance of insurance by the United States Department of Housing and Urban Development (“HUD”) upon mortgages held by the New York State Housing Finance Agency and the enactment of implementing State legislation. The obtaining of such insurance represents a significant element of the Authority Build-Out Plan. Consequently, it is possible that the scheduled June note sale will not be consummated.

(c) **Additional Participation by State Common Retirement Fund.** The Fiscal 1976-77 Borrowing Plan originally contemplated the sale of $2,750,000,000 of tax and revenue anticipation notes of the State during the Spring of 1976 to certain banking, corporate and financial institutions. The full amount proposed to be sold to such purchasers was not subscribed and the State Common Retirement Fund agreed to purchase the unsubscribed portion of approximately $11,000,000 in May (which has been purchased) and approximately $317,000,000 in June. The Comptroller, as Trustee of the Fund, contemplates that all or part of such State notes purchased or to be purchased by the Fund will be offered for resale in the public market on or after June 15, 1976.

(d) **Interdependence of All Commitments and Assurances.** Each commitment to the Fiscal 1976-77 Borrowing Plan and each assurance to the Authority Build-Out Plan is subject to the condition that the commitments and assurances of all other persons to provide the total needs of the State and the Build-Out Authorities remain in effect. Thus, if any commitment or assurance is withdrawn and not replaced, all other parties would be relieved of their commitments and assurances.

(e) **Contingent Nature of Certain Assurances.** A significant portion of the assurances for the Authority Build-Out Plan relate to the proposed sale of $257,800,000 of mortgages backed by HUD insurance pursuant to a program now under development. In addition the Authority Build-Out Plan has not yet been developed to the point at which the amounts and timing of investments by the various sources who have provided assurances have been finally determined or committed.

(f) **Proposed Federal Tax Regulations.** Recently proposed Internal Revenue Service regulations may have the effect of denying a tax exemption for interest on as yet unissued obligations of certain public authorities. If the proposed regulations are adopted in their present form, the Authority Build-Out Plan could be adversely affected. The regulations, if adopted, could further materially increase the cost of borrowing by the affected public authorities or ultimately limit the ability of such authorities to borrow.

**Consequences of Not Achieving the State's Financial Objectives**

If the State should not achieve in substantial part the objectives of the 1976-77 Borrowing Plan or the Authority Build-Out Plan, or if there should be a substantial budget deficit for its 1976-77 fiscal year, the consequences on the financial condition of the State and on its ability to meet the debt service requirements on its outstanding obligations could be severe and the action the State could then take to cure such situation would be extremely limited. A recent decision of the State Court of Appeals (the State's highest court) may affect the State's authority to issue short-term obligations to fund any deficit for the 1976-77 fiscal year, further limiting the actions the State might take in that circumstance.

Any substantial failure by the State to achieve its financial objectives for its 1976-77 fiscal year, might, among other consequences, have a material adverse effect on the State's ability to apportion and pay Per Capita Aid to the Corporation in the future at levels comparable to that included in the 1976-77 State budget and payable to the Corporation on June 25, 1976. See “Estimated Amounts Available for Funding Debt Service Requirements.”
CERTAIN DEVELOPMENTS AFFECTING THE CITY

The following section sets forth certain factors affecting the financial plan by which the City currently proposes to achieve a balanced budget for the 1977-78 fiscal year of the City, as described below, and sets forth cash sources which the City has identified to cover the deficits for the period covered by such plan and to meet other cash needs of the City. The factors affecting the City’s financial condition and its ability to pay the City Notes are complex and this section does not purport to represent the current financial condition of the City except insofar as such condition is reflected in such plan.

Neither the City Financial Plan nor the Proposed Modified Plan (each as described below) makes any provision for the payment of the City Notes whether during the period covered thereby or thereafter.

The City's accounting system is being restructured in accordance with the requirements of the Act, the Emergency Act, the Revised City Charter, the Credit Agreement with the United States, and the Directives of the State Comptroller. This restructurin is intended to permit an independent audit of the City's accounts for the fiscal year 1977-78. Interim revisions to the City accounting practices have been instituted in order to comply as completely as possible with the required fiscal reforms. However, the City's recording and reporting will be deficient in certain respects until the new accounting systems are installed commencing with the year 1977-78. Until these new systems are in operation, the financial statements issued by the City may be subject to material revision.

City Financial Plan


One of the Control Board’s primary functions is to develop, in conjunction with the City, a financial plan for the fiscal years ending June 30, 1976, 1977 and 1978 for the City and so-called “covered organizations”, which are defined as certain governmental agencies, public authorities and public benefit corporations which receive or may receive moneys directly, indirectly or contingently (other than for the sale of goods or services or for loans to the City) from the City. Under the Emergency Act, the financial plan is to constitute a program by which (1) the City will achieve an expense budget for its fiscal year ending June 30, 1978 balanced in accordance with the accounting principles set forth in the State Comptroller’s Uniform System of Accounts for Municipalities, as the same may be modified by the State Comptroller in consultation with the City Comptroller, (2) the City will achieve substantial progress toward such balanced budget in each of its 1975-76 and 1976-77 fiscal years, and (3) the State-imposed limitations contained in the Act on outstanding short-term obligations of the City will be observed at all times.

As required by the Emergency Act, the City submitted a financial plan to the Control Board in October 1975. As modified at the request of the Control Board, the financial plan was approved on October 20, 1975 (the “City Financial Plan”).

On February 13, 1976, the City submitted to the Control Board preliminary revised estimates of revenues and expenditures for the balance of the period covered by the City Financial Plan. On March 9, 1976, the City formally submitted to the Control Board for approval a significant modification of the City Financial Plan based on the revised estimates submitted on February 13, 1976. The March 9, 1976 modification is essentially a complete revision of the City Financial Plan. On March 26, 1976, the City submitted to the Control Board a detailed program of expenditure reductions and proposed transfer of certain functions to the State and Federal governments. Such program was intended to bring the City's expense budget into balance by its 1977-78 fiscal year based upon such revised estimates of revenues and expenditures. On April 14, 1976, the Mayor announced his Executive Expense Budget for the 1976-77 fiscal year which made further adjustments in projected revenues and expenditures. The City Financial Plan as proposed to be adjusted to reflect (i) the modification submitted to the Control Board on March 9, (ii) the program submitted on March 26, (iii) the adjustments in proposed revenues and expenditures reflected in the Executive Expense Budget and (iv) the reports submitted by the City to the Treasury
pursuant to the Federal Credit Agreement (see "Cash Sources—Federal Credit Agreement"), is referred to herein as the "Proposed Modified Plan."

On March 26, 1976, the Control Board accepted the City’s revenue estimates and on April 30, 1976, the Control Board accepted the 1975-76 fiscal year expenditure portion of the Proposed Modified Plan, in each case subject to further review by the State Special Deputy Comptroller for the City and the Control Board staff. The Control Board did not act on the 1976-77 and 1977-78 fiscal years expenditure portions of the Proposed Modified Plan.

Although as required by the Act and the Emergency Act, the Proposed Modified Plan provides for a balanced expense budget for the 1977-78 fiscal year, and indeed provides for a surplus in such year of approximately $41 million, it also reflects a deficit in the expense budgets for each of the 1975-76 and 1976-77 fiscal years of $1,059 million and $686 million, respectively. For a discussion of the funding of such deficits and intra-year borrowing requirements, see "Cash Sources."

**Certain Assumptions**

The City Financial Plan and the Proposed Modified Plan are based on a large number of assumptions, including those discussed below, many of which may prove to be difficult to fulfill and which may require significant modification in the future. The Proposed Modified Plan provides for a general reserve for contingencies of $100 million for each of the fiscal years 1976-77 and 1977-78. The City may, with the approval of the Control Board, make further material revisions to the City Financial Plan, from time to time, to reflect revised assumptions and to up-date projections upon which the City Financial Plan is based. A number of officials have expressed serious doubts about the City’s ability to operate within the City Financial Plan and the Proposed Modified Plan. See "City Financial Plan—Certain Reports."

1. **Expenditure Reductions**

The Proposed Modified Plan assumes that the City will be able to realize expenditure reductions or increased revenues, in each case as compared to levels in effect prior to the adoption of the City Financial Plan, on an annualized basis of $200 million in the 1975-76 fiscal year, an additional $379 million in the 1976-77 fiscal year, for an aggregate of $579 million (increased from $462 million in the City Financial Plan), and an additional $483 million in the 1977-78 fiscal year, for an aggregate of $1,062 million (increased from $724 million in the City Financial Plan). Of the $483 million savings to be achieved in the 1977-78 fiscal year, $442 million of such savings must be realized in such year in order to meet the statutory requirement of a balanced budget for such year. The City has reported that, as of March 31, 1976, actions necessary to achieve expenditure reductions and revenue increases, such increases resulting primarily from increases in fees and charges, projected to produce approximately $117 million on an annualized basis had been implemented. The City has no financial system to compare with complete accuracy actual savings to budgeted savings for individual cost reduction programs or to estimate all possible cost increases caused by reduction programs.

The Proposed Modified Plan projects the following annualized expenditure reductions or increased revenues for the 1976-77 and 1977-78 fiscal years (in addition to the $200 million of annualized expenditure reductions or increased revenues projected for the 1975-76 fiscal year):

<table>
<thead>
<tr>
<th>Savings or Revenue</th>
<th>FY 1976-77</th>
<th>FY 1977-78</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions proposed to be taken by the City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>—1976-77 Budget Reduction Program</td>
<td>$213</td>
<td>$213</td>
</tr>
<tr>
<td>—Additional program reductions in 1977-78, including those resulting from managerial improvements</td>
<td>—</td>
<td>100</td>
</tr>
<tr>
<td>—Reductions in public and medical assistance</td>
<td>35</td>
<td>70</td>
</tr>
<tr>
<td>—Purchase of power from Power Authority of the State of New York and energy conservation</td>
<td>16</td>
<td>30</td>
</tr>
<tr>
<td>—Withdrawal from Social Security system (April 1, 1978)</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>—Reduction in certain employee benefits</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>—Phase out City support for City University of New York senior colleges</td>
<td>37</td>
<td>150</td>
</tr>
<tr>
<td>—Use of increased Community Development funds for tax levy functions</td>
<td>—</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total City Actions</strong></td>
<td>$325</td>
<td>$680</td>
</tr>
</tbody>
</table>
Savings or Revenue
(Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 1976-77</th>
<th>FY 1977-78</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions Requiring State Legislative Approval</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State assumption of court, probation and correction costs</td>
<td>$24</td>
<td>$127</td>
</tr>
<tr>
<td>Actions Requiring Federal Approval or Cooperation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal housing subsidies</td>
<td>$30</td>
<td>$55</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reductions in FY 1976-77</td>
<td>$379</td>
<td>$379</td>
</tr>
<tr>
<td>Reductions in FY 1977-78</td>
<td></td>
<td>$483</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$379</td>
<td>$862</td>
</tr>
</tbody>
</table>

Pursuant to the Act, the Corporation has commenced a review of the Mayor's Executive Expense Budget for the 1976-77 fiscal year, including the 1976-77 Budget Reduction Program, to determine whether such budget is in compliance with the provisions of the Act. Such study has not yet been completed and the Corporation has made no judgment as yet as to whether such budget is in compliance with the Act. The City has not formulated any specific proposals by which management and productivity savings are to be realized. Such proposals may require further material reductions in the number of City employees. Savings resulting from reduction of employee benefits and from withdrawal from the Social Security system may be subject to collective bargaining. The reduction in level of City support for City University may require a reduction of the level of the educational services performed by the City University, the imposition of tuition or increased fees on students attending City University, increased financial support from the State, or a combination of such actions.

As described in the table above, Federal and State action is required to effect some of the elements of the Proposed Modified Plan for the City's 1976-77 and 1977-78 fiscal years. The City has no commitment from either the State or the Federal governments to take these actions. The City has presented a program of alternative reductions if the State does not take over the City's court and prison costs, but no such programs have been developed to cover the contingency that the Federal action will not be taken.

The revenue increase projected from Federal housing subsidies requires the approval of HUD. On May 7, 1976 HUD rejected the City's proposal that $5 million in the 1976-77 fiscal year and $5 million in the 1977-78 fiscal year be applied to subsidize tenants of low-income public housing. The City will continue negotiations with HUD regarding this issue and the remaining portions of the $55 million in proposed subsidies.

*There can be no assurance that the actions required to be taken by the City, State and Federal governments to reduce expenditures or increase revenues as reflected in the Proposed Modified Plan will be taken or that additional or alternative expenditure reductions will be required by the Control Board or that if such reductions are required the City may be forced to make further reductions in the level of the essential municipal services which it provides.*

2. Taxes and Other Revenues

(a) Real Estate Tax

With regard to real estate tax, the Proposed Modified Plan assumes that the assessed valuation of the City's taxable real estate will decline from $39,854 million in the 1975-76 fiscal year to $38,956 million in the 1976-77 fiscal year and to $38,756 million in the 1977-78 fiscal year. The assumption as to the ratio between assessed value and full value, which is known as the equalization ratio, is that it will be 49% in the 1975-76 fiscal year, 47% in the 1976-77 fiscal year and 46% in the 1977-78 fiscal year. The equalization rate is fixed annually by the State Board of Equalization and Assessment. If the equalization rate actually fixed by such Board is higher than the assumed rates set out above, the amount of real estate taxes that may be levied by the City will be reduced.
The assumption regarding tax rates is that such rate will be $8.81 per $100 of assessed valuation for the 1976-77 fiscal year and $9.07 for the 1977-78 fiscal year. The Proposed Modified Plan assumes that the rate of collection of the real estate tax levy will be approximately 90% during the 1975-76 fiscal year and approximately 94% during the 1976-77 and the 1977-78 fiscal years. The higher assumption for the last two years is attributable, in part, to the fact that the City intends to remove a significant portion of publicly owned and publicly assisted housing properties from the tax base. Collections of prior years’ unpaid taxes are estimated at $55 million in 1975-76, $60 million in 1976-77, and $65 million in 1977-78. During the last five fiscal years, collection of prior years’ taxes has averaged about $30 million.

(b) Other Taxes

The revenue projections for personal income tax, financial corporation tax, corporate income tax and other taxes in the Proposed Modified Plan take into account legislation enacted by the State in November 1975 increasing the rates of such taxes. Estimated revenues have been adjusted to reflect the continuing effect of the economic recession on the City. Projected revenue from the commercial rent tax has been adjusted downward to reflect the continuation of high vacancy rates in commercial office space and a virtual halt in new construction. The stock transfer tax estimates have been adjusted downward to take into account the impact of the Federal Securities Acts Amendments of 1975 which prohibit the State from taxing certain transfers (see “Provision for Payment of the Bonds—Stock Transfer Tax”) and the Comptroller’s special accounts have been eliminated as a revenue source for the City’s expense budget. Other revenues have been reduced primarily because after the 1975-76 fiscal year the City will no longer include any earnings of the pension systems as an offset to the City’s obligation to contribute to the City pension funds.

(c) Revenue Sharing and Federal Aid

In estimating receipts from State revenue sharing including Per Capita Aid, the Proposed Modified Plan assumes growth rates of the revenue from this source of 7% in the 1975-76 fiscal year, 8% in the 1976-77 fiscal year and 9% in the 1977-78 fiscal year. A small increase in Federal revenue sharing funds during the current fiscal year and stable payments thereafter is also assumed. The Federal revenue sharing program expires in December 1976 and, if a comparable program is not enacted before that time, the Proposed Modified Plan will be materially adversely affected.

The New York City Transit Authority has submitted projections of revenues and expenditures for operations to the Control Board for the period covered by the City Financial Plan. Because these projections assume that the United States Department of Transportation will not make certain funds available for such Transit Authority’s operations these projections forecast deficits of $108.8 million in fiscal year 1976-77 and $102.3 million in fiscal year 1977-78 for which no provision has been made in the Proposed Modified Plan.

Administrative proceedings have been commenced by several individuals against the City seeking to terminate Federal revenue sharing and certain other payments by the Federal government to the City until certain alleged discriminatory practices have been discontinued.

(d) Possible Disallowances

The Proposed Modified Plan includes a reserve of $125 million, reduced from $150 million in the City Financial Plan, for possible disallowances of claims for Federal and State aid under medicaid, public assistance and similar programs for each fiscal year covered by the Plan. A reserve of $285 million for possible Federal and State aid disallowances attributable to prior fiscal years contained in the City Financial Plan has been eliminated in the Proposed Modified Plan because these amounts are not attributable to years covered by such Plan. A report by the Special Deputy State Comptroller has identified approximately $568 million of potential disallowances of prior years’ aid claims now pending against the City which may be charged against the City during the years covered by the Proposed Modified Plan. To the extent that such prior years’ claims are charged against the City, such claims will
have a negative impact on the City's cash flow for which the Proposed Modified Plan contains no provision. The exact amount of such claims which will be disallowed is not at present predictable.

3. Other Assumptions

(a) Wage Levels

The Proposed Modified Plan assumes that there will be no wage increases for municipal employees above wage levels for the 1975-76 fiscal year. On May 18, 1976 the Control Board adopted general wage and salary policies which will be applicable during the period covered by the Proposed Modified Plan to all collective bargaining agreements entered into by the City and covered organizations. The wage and salary policies provide that (i) no agreement shall provide for general wage or salary increases or increases in fringe benefits; (ii) no agreement shall provide for increases or adjustments to salaries or wages, including those based upon increases in the cost of living, unless such increases or adjustments are funded by independently measured savings realized, without reduction in services, through gains in productivity, reductions of fringe benefits or through other savings or other revenues approved by the Control Board, all of which savings shall be in addition to those provided for in the Proposed Modified Plan; and (iii) each agreement shall provide for a mechanism to permit savings in pension costs or other fringe benefits during the term of agreement. Union representatives have stated that they are opposed to these policies. Substantially all of the collective bargaining agreements between the City, "covered organizations" and the municipal labor unions expire on June 30, 1976.

On April 1, 1976, the New York City Transit Authority and the Transport Workers Union of America ("TWU") announced the terms of a new two-year collective bargaining contract which include no increase in base wage rates but provide for (i) continuation of the cost of living adjustment payable in fiscal year 1975-76 plus (ii) additional cost of living adjustments. The Transit Authority is a "covered organization" and the announced terms are subject to approval by the Control Board. On May 18, 1976 the Control Board approved the contract previously submitted by the Transit Authority and the TWU subject to certain conditions and limitations imposed by the Control Board to ensure that said agreement gives effect to the wage and salary policies adopted by the Control Board on such date. Representatives of the Transit Authority and the TWU have indicated their intention to comply with such conditions and limitations but a revised contract has not been entered into.

In an action commenced by the Patrolmen's Benevolent Association (the "PBA"), the Appellate Division of the State Supreme Court, First Department, ruled on April 26, 1976 that the wage freeze mandate of the Emergency Act does not apply to wage and salary increases awarded to PBA members by an impasse panel since such award was confirmed by the judgment of a court of competent jurisdiction. In addition, the Court ruled that even though the PBA, unlike many other municipal unions, has refused to enter into an agreement deferring such wage and salary increases there is no requirement that the payment of wage and salary increases pursuant to the judgment of a court be deferred. The City intends to appeal this decision. It has been reported that leaders representing other municipal employees who have agreed to defer certain wage and salary increases have stated that their members are entitled to immediate payment of all deferred amounts if members of the PBA are not required to defer wage and salary increases.

(b) Pension Contributions

The Proposed Modified Plan assumes that there will be no substantial increase in the contributions by the City to any of its pension funds. It does not, however, take into account pension funding recommendations made by the Mayor's Management Advisory Board in a report dated April 13, 1976. In its report, such Board recommended that payments to the pension funds should be increased by $208 million a year and further recommended that such increase be phased in over a five year period and be made principally through increased employee contributions. A plan to increase employee contributions has been initiated, effective in the City's 1977-78 fiscal year through the elimination of one-half of the "Increased Take Home Pay" program. Additional amounts may, however, be required to be accrued by the City with respect to the City pension funds that might adversely affect the City's ability to achieve the required balanced budget in its 1977-78 fiscal year.
(c) Public Assistance and Medicaid

The Proposed Modified Plan assumes that the City's cost for public assistance and medicaid, reduced by the amounts shown on the table in subparagraph 1 above, will remain constant at the levels in effect at the time of the submission of the Proposed Modified Plan, which are higher than those reflected in the City Financial Plan, even though most expenditures under this program are mandated by Federal and State law and are not subject to the City's control.

(d) Debt Service

The projected debt service expenditures in the Proposed Modified Plan take into account securities issued by the Corporation in connection with the First Offer and borrowings under the Federal Credit Agreement described below and an estimate of the effect of the adjustment of debt of the Corporation held by certain institutional holders pursuant to the Amended and Restated Agreement described below. See "Cash Sources" and "Outstanding Debt of the Corporation." To the extent that City Notes are exchanged for 1976 Bonds pursuant to this Exchange Offer, projected debt service expenditures in the City Financial Plan (including debt service on the obligations of the Corporation) will increase. No provision is made for any such increase in the Proposed Modified Plan.

(e) Litigation

The City and the Corporation are parties to numerous lawsuits and are or may be subject to certain investigations (including an investigation by the United States Securities and Exchange Commission), the probable outcome of which is not at present predictable. Any adverse determinations in certain of these suits, particularly those suits challenging the wage freeze, the Moratorium Act and seeking to rescind the purchase of securities of the Corporation by certain pension funds and to enjoin future purchases of securities of the City and the Corporation by such pension funds (see "Litigation") would have a material adverse effect on the City's ability to carry out the Proposed Modified Plan.

The projected expenditures for the capital budget of the City assume that the City will curtail or discontinue certain projects in process. This may result in substantial claims being made against the City for breach of contract. No provision is made for these contingencies in the Proposed Modified Plan, except that the Proposed Modified Plan includes in the capital expenditure plan reserves for judgments and claims of $50 million for the 1975-76 fiscal year, $80 million for the 1976-77 fiscal year and $80 million for the 1977-78 fiscal year.

(f) Inflation

The Proposed Modified Plan does not include an inflation factor for costs designated as other than personal service costs and assumes that price increases will be offset by productivity savings.

Certain Reports

In a report released on May 16, 1976, the Committee on Banking, Housing and Urban Affairs of the United States Senate made a number of recommendations, including those referred to below, with respect to the making of further loans to the City pursuant to the Credit Agreement referred to below. The Committee recommended that if the wage freeze on City employees currently in effect is not maintained, "the Secretary [of the Treasury] should seriously consider ending the Federal loan program" and that the Secretary "question any Financial Plan that does not include substantial fringe benefit reductions in labor contracts negotiated for the period after June 30, 1976." Such Committee found that rent control had been "a major cause of the decline of New York City's housing stock and the erosion of its real estate tax base," and recommended that "the City and State confront this problem squarely and, if necessary, take the actions needed to phase out rent control." Such Committee also recommended that State officials give immediate consideration to taking the necessary action to remove any constitutional impediment to lending money to the City. In this connection, the Committee report stated, "if the City cannot borrow after the Federal loan program expires, it will be faced with the prospect of bankruptcy unless it can meet its credit needs through the State."

On May 17, 1976 the City was informed that unless the City and municipal labor unions reached agreement on new collective bargaining contracts by June 30, 1976 the Federal Treasury would lend
additional funds to the City under the Federal Credit Agreement during the 1976-77 fiscal year only to the extent of the amount of the City's positive cash flow for the first month in which the City projects such positive cash flow. The City does not expect to achieve positive cash flow until September, 1976, when it projects a positive cash flow of $125 million. Under its current cash flow projections, the City has scheduled borrowings of $1,400 million, $1,050 million during July (of which more than $600 million is required to be borrowed during the week ending July 2, 1976) and $350 million during August of 1976. If the City is unable to borrow these funds it will be unable to continue essential municipal services. Over 90% of the employees of the City and all covered organizations are employed under collective bargaining agreements with more than 200 local collective bargaining units which are represented by over 70 unions. Almost all of these collective bargaining agreements expire on June 30, 1976.

A report by the State Special Deputy Comptroller on the revised revenue estimates that were delivered by the City to the Control Board on February 13, 1976 concluded that these estimates can be accepted in the aggregate, subject to the development of cost reduction programs to compensate for potential revenue short-falls. However, the report cautioned that the probability was that the estimates are overstated rather than understated, given the experience since October 1975, and a continuation of the current lag in the City's economy. The City's estimates of real estate tax revenues were accepted by the report pending a determination of certain legal issues and the setting of the final equalization rate. The report reached no conclusion on the City's estimates of Federal and State aid receipts. The report pointed out that the City's estimates did not reflect the possible effect on these revenue sources of future City expense budget reductions which may impact on aided programs. The report found projections of other revenues reasonable subject to certain minor adjustments.

In a report dated May 7, 1976 on the expenditure estimates that were delivered by the City to the Control Board on February 13, 1976, the State Special Deputy Comptroller noted that the proposed increased expenditure estimates for the 1975-76 fiscal year more than offset the $92 million of cash savings required under the City Financial Plan.

The Comptroller General of the United States, who is authorized to review the financial condition of the City, has stated that he is "concerned about whether the current financial plan for the City is a realistic one." The City Comptroller has stated that, in his judgment, there will be a significant short-fall between estimated sources of cash and estimated cash requirements for the City's fiscal year ending June 30, 1977, although he did not quantify the amount of such short-fall. The ability of the City to operate within the City Financial Plan, unless the City receives State or Federal assistance in addition to that referred to above, has also been questioned by members of the Control Board.

Pursuant to the Act, the Corporation has commenced a review of the Mayor's Executive Expense Budget for the 1976-77 fiscal year to determine whether such budget is in compliance with the provisions of the Act. Such study has not yet been completed and the Corporation has made no judgment as yet as to whether such budget is in compliance with the Act.

Recent Legislation Affecting the Plan

A bill requiring restoration of certain primary and secondary education budget cuts ("Stavisky-Goodman Act") became law on April 13, 1976. Such law requires that if the total amount requested by the City Board of Education is equal to or less than an amount equal to the average proportion of the total expense budget appropriated to the Board of Education in the past three fiscal years, the City shall appropriate such requested amount. On April 30, 1976, the Board of Education adopted and transmitted to the Mayor its resolution requesting the Mayor to amend the Executive Expense Budget to provide for funding of approximately $121 million for education in accordance with the Stavisky-Goodman Act in addition to the amount currently provided for education in the Executive Expense Budget. The Mayor has stated that the Stavisky-Goodman Act, if implemented, would require that funds allocated for other services be made available instead to the Board of Education; the Stavisky-Goodman Act does not require
the aggregate amount of the City’s expense budget to be increased. The City has announced that it intends to resist the implementation of the Stavisky-Goodman Act unless so ordered by the courts. The Stavisky-Goodman Act, and any other bills of like import that are enacted into law, may materially adversely affect the City’s ability to carry out the Proposed Modified Plan.

Expiration of Plan

The Proposed Modified Plan covers the three fiscal years of the City ending with the fiscal year 1977-78. Thereafter, the City will be faced with a number of substantial liabilities and no arrangements at present exist to meet them. The moratorium on the payment of the City Notes is scheduled to expire, wage increases deferred during the period of the wage freeze may come due and the line of credit under the Federal Credit Agreement will no longer be available. All of these factors may adversely affect the City’s ability to return to the capital markets and to maintain a balanced budget.

Cash Sources

In order to provide the cash necessary to cover the deficits in the 1975-76 and 1976-77 fiscal year budgets, to meet seasonal, intra-year financing requirements and to meet other cash needs of the City, the following cash sources have been identified:

Amended and Restated Agreement

Under the Amended and Restated Agreement dated as of November 26, 1975 among the Corporation, the eleven New York Clearing House Banks, certain City pension funds and certain City sinking funds (the “Amended and Restated Agreement”) the pension funds agreed to purchase from time to time over the term of the City Financial Plan serial bonds of the City bearing interest at 9% per annum in the aggregate principal amount of $2,500,000,000. The pension funds have purchased $500,000,000 of City serial bonds during the 1975-76 fiscal year and are obligated to purchase up to an additional $1,500,000,000 of City serial bonds during the City’s 1976-77 fiscal year and up to an additional $500,000,000 of City serial bonds during the City’s 1977-78 fiscal year. In addition to the $2,500,000,000 certain pension funds have purchased $30,000,000 principal amount of 6% serial bonds of the City pursuant to the Amended and Restated Agreement.

The pension funds have further agreed that they will apply any principal amortization payments received prior to June 30, 1978 with respect to City serial bonds purchased under the Amended and Restated Agreement to the purchase of additional City serial bonds.

The Amended and Restated Agreement further provides that any pension fund may satisfy a portion of its obligation by purchasing Bonds of the Corporation bearing interest at the rate of 8% per annum and maturing on July 1, 1986, subject to mandatory sinking fund payments providing for level debt service, in lieu of purchases of an equal principal amount of City serial bonds. The obligation of the pension funds to purchase either City bonds or Bonds is subject to certain conditions, including among other conditions (i) the timely payment by the City of principal of and interest on all bonds of the City outstanding at such time and (ii) the timely contributions and other payments required by law by the City to the pension funds. Additionally, the Amended and Restated Agreement conditions the obligation of the pension funds to purchase City bonds or Bonds on the delivery of certain financial information respecting the City and customary legal opinions.

Certain municipal union leaders have stated that if the City fails to bargain in good faith upon the expiration of the collective bargaining agreements currently in effect between the City and its union employees, such union leaders may request that the pension funds refuse to make any further purchases of City bonds or Bonds pursuant to the Amended and Restated Agreement. See “City Financial Plan—Certain Reports.”

The City sinking funds are expected to purchase $138 million of City long-term debt during the term of the City Financial Plan with the proceeds of principal payments received on City bonds although the City has no agreement with the City sinking funds covering these transactions.
Federal Credit Agreement

The City expects to receive certain amounts pursuant to a Credit Agreement, dated December 30, 1975, among the City, the State, the Control Board and the United States (the "Credit Agreement"). Under the Credit Agreement the Secretary of the Treasury is authorized but not required to make short-term loans to the City of up to $1,300 million at any one time outstanding during the period from December 30, 1975 to June 30, 1976 and of up to $2,300 million at any one time outstanding during the period from July 1, 1976 to June 30, 1978. Each loan will be a general obligation of the City represented by a note issued in anticipation of specified revenues, bearing interest at an annual rate which is 1% greater than the current average market yield on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the maturity of the note, and payable on demand and in the absence of demand on such date as may be stated in the note, but in no event later than the last day of the fiscal year of the City in which the note is issued. During the 1975-76 fiscal year loans in the aggregate principal amount of $1,260 million have been made to the City under the Credit Agreement. On April 16 and May 18, 1976, the City prepaid loans in the principal amount of $270 million and $240 million, respectively.

There are several conditions to the making of each loan by the Secretary, including a determination by the Secretary that there is a reasonable prospect of repayment of the loan in accordance with its terms. The Credit Agreement requires the City to issue irrevocable instructions to the agency or official from which the City is to receive the revenues in anticipation of which the loan is being made to pay such revenues to a special account, the proceeds of which account may, to the extent permitted by law, only be used to pay the loan when due, except that as long as there is no default or demand under the Credit Agreement such revenues may be used in accordance with the City Financial Plan. In the event of a default by the City in the payment of any loan, the Secretary is authorized, to the extent permitted by Federal law, to pay into such account any amounts due the City from the Federal government whether or not such amounts have been identified as revenues in anticipation of which such loan has been made. The Credit Agreement requires the City to comply with various covenants including the following:

(i) the City and the Control Board may not modify, amend or change the City Financial Plan except upon written notice to the Secretary in advance, where feasible, or promptly thereafter and will observe the terms and conditions of the City Financial Plan as so amended and use their best efforts to see that the City Financial Plan is carried out and that the assumptions therein will be fulfilled.

(ii) no borrowings will be made by or on behalf of the City except as consistent with the City Financial Plan, as the same may be amended;

(iii) the General Accounting Office and any representative of the Secretary may make such audits and review such financial and other information of the City and the Control Board as may be deemed appropriate by either the Secretary or the General Accounting Office;

(iv) the City and the Control Board will furnish the Secretary various reports and financial statements with respect to the financial condition of the City. The City delivers to the Secretary for each month a complete financial report entitled "Financial Plan Statements for New York City," which includes, among other things, a Financial Plan Summary describing the City's performance according to the City Financial Plan on a monthly, year to date and fiscal year basis, an analysis of the City's revenues, an analysis of the City's expenditures, a summary of the City's debt service and a capital budget and expenditures report. Each report is approved for transmittal to the Secretary by the Emergency Financial Control Board;

(v) the City will establish an accounting system for the fiscal year beginning July 1, 1977 that is in accordance with the State Comptroller's Uniform System of Accounts. Pending full implementation of the new accounting system, the City and the Control Board will use their best efforts to improve the reliability of the City's existing financial records and the City agrees that an audit may be made as at June 30, 1978 by the State Comptroller or, at his election, an independent certified public accountant; and

(vi) the City will use its best efforts to meet its seasonal borrowing needs on and after July 1, 1977 without resort to borrowings under the Credit Agreement.
Although the Corporation was not a party to the Credit Agreement, the Corporation agreed to certain undertakings in the Credit Agreement, including the following:

(i) The Corporation agreed not to unreasonably withhold its consent to future Federal loans to the City, if required, while maintaining all its other statutory obligations;

(ii) The Corporation agreed to remain in compliance with the Amended and Restated Agreement regarding restructured debt issues held by institutional investors; and

(iii) The Corporation acknowledged that in the future the Corporation may become a borrower on the City’s behalf pursuant to the Credit Agreement.

Renewal of State Advance

The City’s estimate of cash to be available during the period of the City Financial Plan calls for the State to renew its $800,000,000 advance of education and public assistance aid funds to the City in April through June of each year. The State plans to fund this advance as well as other payments expected from the State during 1976 from the State’s $4,530,000,000 Fiscal 1976-77 Borrowing Plan described herein under “Certain Developments Affecting the State”, but there can be no assurance that the State will be able or willing to renew such advance, in whole or in part, in the future. Through May 7, 1976 the City has received approximately $400 million of such advances from the State.

Sale and Assignment of Mortgages

The City intends to raise $350,000,000 in its fiscal year ending June 30, 1977 through the sale of certain Mitchell-Lama mortgages. However, it has no contracts or other commitments covering this transaction and no assurance can be given that this value could be realized. These mortgages are presently pledged to the State as collateral for the City’s $250,000,000 note maturing in October, 1976. In addition State legislation is required to carry out this transaction. Under recently enacted State legislation, the City is contemplating assigning approximately $208,000,000 in principal amount of certain Mitchell-Lama mortgages to the New York City Housing Development Corporation as part of a program to satisfy certain City mortgage loan commitments. Such program would not make any money available to the City for making payments on City Notes or for any purpose other than fulfilling such mortgage loan commitments.

Other Potential Sources of Money

The Corporation cannot predict whether the City may receive amounts of money from one or more potential sources which the City could apply to the payment of all or a part of the City Notes.

THE CORPORATION

The Corporation, a corporate governmental agency and instrumentality of the State constituting a public benefit corporation, was created in June 1975, by the Act, for the purposes of assisting 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 bonds and notes and to pay or lend funds received from such sale to the City and to exchange the Corporation’s obligations for obligations of the City. See “Various Control Programs—Powers of the Corporation.”

The Act provides that no bond or note of the Corporation shall mature more than 20 years from the date of the original issue of such bond or note, and that no such bond or note shall be issued later than June 10, 1980, unless such bond or note is a renewal or refunding of an outstanding bond or note.

The present Directors of and Representatives to the Corporation are as follows:

**Directors**

Felix G. Rohatyn, *Chairman*
Francis J. Barry
John A. Coleman
Thomas D. Flynn
George D. Gould
Dick Netzer
Donna E. Shalala, *Treasurer*
Robert C. Weaver

**Representatives**

Zane Klein
Edward M. Kresky
Leonard Nadel
Nicholas L. Pitaro
Arthur J. Quinn
Robert W. Seavey
Sanford I. Weill
Herbert Elish is the Executive Director of the Corporation.

For additional information as to the Board of Directors of and the Representatives to the Corporation and related matters, see “Management.”

**MARKET CONSIDERATIONS AFFECTING 1976 BONDS AND CITY NOTES**

The Corporation believes that, in addition to being affected by general conditions in the bond market, market prices of the bonds of the Corporation, including those issued pursuant to the First Offer, may have been affected, and market prices of the 1976 Bonds may be affected, by developments with respect to the City’s or the State’s financial condition notwithstanding the fact that bonds of the Corporation do not constitute obligations or debts of the City or the State. The Corporation believes that its ability to repay such bonds is not dependent upon the financial condition of the City, see “Provisions for Payment of the Bonds”, but is dependent at least in part upon the financial condition of the State, see “Certain Developments Affecting the State.”

During this period, the market for City Notes has been limited and those sales that have been effected are believed generally to have been at prices substantially below par value. There can be no assurance that there will exist any substantial market for the 1976 Bonds at or near par value of the City Notes exchanged for such Bonds nor can there be any assurance that there will exist any substantial market for the untendered City Notes or City Notes not accepted pursuant to the Exchange Offer, if any, or, if such a market will exist, whether the market price will be at or near par value. In addition, although bonds of the Corporation are not obligations of either the City or the State, financial developments with respect to the City or the State, or agencies of either, may affect the existence of a market as well as the market price for such bonds. Financial developments with respect to the City or the State, or agencies of either, will probably have an effect on the existence of a market as well as the market price for the City Notes.

**OUTSTANDING DEBT OF THE CORPORATION**

The Corporation at present has outstanding $458,275,000 in aggregate principal amount of Bonds issued pursuant to the Second General Bond Resolution and $3,078,685,000 in aggregate principal amount of First Bonds issued pursuant to the First General Bond Resolution. It also has outstanding Promissory Notes in the aggregate principal amount of $273,500,000.

Under the Amended and Restated Agreement, the New York Clearing House Banks, and certain City pension funds and sinking funds, which have advised the Corporation that they hold in the aggregate $1,808,323,000 principal amount of First Bonds bearing interest rates ranging from 6% per annum to 11% per annum and maturing at varying times between 1977 and 1990, have agreed that as of February 1, 1976 such First Bonds bear interest at the rate of 6% per annum and the principal will be paid on a substantially level debt service basis from February 1, 1977 to February 1, 1986. The implementation of the adjustment of such First Bonds contemplated by such Agreement requires the consents of holders of First Bonds to certain amendments to the First General Bond Resolution. The Corporation is soliciting such consents and believes that the consents necessary to effect such adjustment will be forthcoming. However, there can be no assurance that the required consents will be obtained.

The aggregate interest savings that will be realized by the Corporation through 1990 as a result of the implementation of such adjustment will be $753,055,535; except that if Banks exercise an option under the Amended and Restated Agreement which will result in certain bonds of the Corporation held by them being redeemable from sinking fund payments made after February 1, 1986 (a situation the Corporation believes to be favorable to it and the City), such aggregate interest savings to the Corporation may be reduced but in no event will it be less than $619,383,660. See “Unaudited Financial Statements—Exhibit 3.”

Assuming the implementation of the adjustments referred to above (and assuming that no Banks exercise the option described above) the average interest rate on all of the Corporation’s outstanding bonds and notes (not including any 1976 Bonds that may be issued pursuant to this Exchange Offer) will be reduced from 9.44% to 7.90%.

_The holders of the First Bonds and the Promissory Notes have a claim prior to that of the holders of the 1976 Bonds on all amounts received by the Corporation from the State as payments from the Municipal_
Assistance Tax Fund (including the Sales Tax and the Stock Transfer Tax). The holders of the 1976 Bonds have no claim on any of the moneys or securities in the funds or accounts established pursuant to the First General Bond Resolution so long as the First Bonds, or any other bonds issued pursuant to the First General Bond Resolution, or any notes or other obligations as defined in and issued pursuant to such First General Bond Resolution, are outstanding. The holders of the First Bonds have no claim, however, on any Per Capita Aid received by the Corporation through the Municipal Assistance State Aid Fund.

The Corporation has reserved the right to issue additional bonds pursuant to the First General Bond Resolution and notes and other obligations as defined in and issued pursuant to the First General Bond Resolution, but has covenanted in the Second General Bond Resolution that it shall not issue any such bonds, notes or other obligations if at the time of issuance the effect of such issuance would be to cause the amounts available to the Corporation from the Municipal Assistance State Aid Fund and the Municipal Assistance Tax Fund for payment of the principal of and interest on the Bonds to be less than 1.2 times the annual debt service on such Bonds.

The Corporation may not issue any additional bonds, notes or other obligations as defined in and issued pursuant to the First General Bond Resolution unless both of the following conditions 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 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 (in the event such Sales Tax or such other taxes have not been in effect for such 12 months, 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, may be utilized 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) 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 two 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 bonds, notes and other obligations as defined in and issued pursuant to the First General Bond Resolution (including the particular series or series of additional bonds, notes or other obligations then proposed to be issued); and

2. The amount of Sales Tax collections or the amount determined in lieu of such collections as set forth in clause (a)(ii) 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.

PROVISIONS FOR PAYMENT OF THE BONDS

General

The Bonds are general obligations of the Corporation payable out of any available revenues of the Corporation not otherwise pledged. The Bonds are entitled to a lien created by the pledge under the Second General Bond Resolution of all moneys and securities paid into the Bond Service Fund and the Capital Reserve Aid Fund held by the Trustee. Such moneys and securities include each of the following: (i) all amounts received by the Corporation from the State as payments from the Municipal Assistance State Aid Fund (see "Municipal Assistance State Aid Fund") for deposit in the Bond Service Fund and in the Capital Reserve Aid Fund; (ii) amounts received by the Corporation from the State as payments from the Municipal Assistance Tax Fund annually from such Fund (after payment from such Fund to the Corporation of the amounts required to fund the Debt Service Fund, the Capital Reserve Fund and the operating fund established by the First General Bond Resolution) for deposit in the Bond Service Fund and the Capital Reserve Aid Fund; (iii) all other amounts received by the Corporation from the State as
payments for deposit in the Capital Reserve Aid Fund (pursuant to the certification annually, on or before December 1, by the Chairman to the Governor and the State Director of the Budget, of the sums necessary to restore the Capital Reserve Aid Fund to the required amount, see "Restoration of Capital Reserve Aid Fund"); and (iv) any income or interest earned as a result of investments of such amounts so deposited in such Funds. See "Summary of Certain Provisions of the Second General Bond Resolution—Additional Bonds."

Payment of the amounts referred to in clauses (i) and (ii) above will be subject to the certification, not later than February 12 in each year or thereafter if revision is required, by the Chairman to the State Comptroller and to the Mayor of a schedule setting forth the cash requirements of the Corporation for such fiscal year 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 Bond Service Fund to pay all interest on and all principal of and redemption premium, if any, on Bonds maturing or otherwise coming due during such fiscal year and the total amount required to be deposited in the Capital Reserve Aid Fund during such fiscal year in order to maintain the Capital Reserve Aid Fund at the required amount. The amount that will be required to fund the Capital Reserve Aid Fund is a fixed percentage of the amount of principal of and interest on the Corporation's outstanding Bonds maturing or otherwise coming due during a specified calendar year, including for such purpose any unpaid amounts of such principal and interest owing in respect of prior calendar years. The Corporation is not obligated to maintain any amount in the Capital Reserve Aid Fund in 1976; thereafter the fixed percentages are 25% for 1977, 50% for 1978, 75% for 1979 and 100% for 1980 and every calendar year thereafter.

Payment to the Corporation of the amounts referred to in clauses (i) and (ii) above are required to be made by the State only if and to the extent that monies have been appropriated by the State Legislature from the Special Aid Account and the Special Tax Account or that revenues have otherwise been made available therefor by the State (see "Municipal Assistance State Aid Fund" and "Municipal Assistance Tax Fund"). The source of monies in the Special Aid Account is the Per Capita Aid, which is appropriated by the Legislature from the General Fund of the State and is apportioned and paid on audit and warrant of the State Comptroller pursuant to Section 54 of the State Finance Law. The Per Capita Aid may be paid into such Special Aid Account only after statutory claims on such aid having a priority over the claim of the Corporation have been paid. Such statutory claims are described below under "Municipal Assistance State Aid Fund." The source of monies in the Special Tax Account is the Sales Tax and, if required, the Stock Transfer Tax Fund, the monies in which are derived from the Stock Transfer Tax imposed by Article 12 of the Tax Law. In the opinion of Bond Counsel, the State has the right and power to apportion and pay such aid and to impose such taxes and to increase or decrease the amount of such aid and such taxes, to establish the Municipal Assistance State Aid Fund, the Municipal Assistance Tax Fund, the Special Aid Account and the Special Tax Account therein and the Stock Transfer Tax Fund and to make any such appropriation, but is not bound or obligated to continue the procedure for apportionment and payment of such aid or the imposition of said taxes, to maintain the existence of the Municipal Assistance State Aid Fund, the Municipal Assistance Tax Fund, any special accounts therein or the Stock Transfer Tax Fund or to make any appropriations. See " Appropriation by Legislature."

The Corporation, in accordance with the Act and pursuant to the express provisions of the Second General Bond Resolution, has covenanted to cause its Chairman to certify each year (at the time or times required) to the State Comptroller and to the Mayor schedules setting forth the cash requirements of the Corporation for such fiscal year 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 Aid and the Special Tax Accounts, or otherwise from the State, which are deposited in and subject to the aforesaid pledge of and lien upon the Bond Service Fund and Capital Reserve Aid Fund, the Corporation may from time to time receive payments from the City of the principal of and interest on obligations of the City purchased by or exchanged with by the Corporation. Such payments may be used for the further purchase of or exchange for obligations of the City or for other corporate purposes of the Corporation. The amount the Chairman is required to certify for debt service on the 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.
Set forth below is a chart which illustrates the flow of funds as described above:

1. Subject to appropriation by State Legislature.
2. See "Municipal Assistance State Aid Fund."
3. Available, if necessary.
4. After certification by the Corporation as to its requirements.
5. Subject to appropriation by State Legislature and after payment of all amounts certified by the Corporation, if any.
6. Available, if necessary.
7. After payment of all amounts certified by the Corporation.
8. Subject to appropriation by State Legislature.
Neither the Corporation nor the holders of the Bonds shall have any lien on the moneys in the Special Aid Account or Special Tax Account. Any provisions of the Second General Bond Resolution and the Bonds with respect to provision for payment by the State to the Corporation of Per Capita Aid, the Sales Tax or the Stock Transfer Tax out of the Special Aid Account and the Special Tax Account or by transfer to the Municipal Assistance Tax Fund from the Stock Transfer Tax Fund are 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.

The Corporation has no taxing power. The 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 Bonds.

Although the Corporation is not now authorized by the State to file a petition under Chapter IX of the Federal Bankruptcy Act, it may in the future be so authorized. See “Moratorium, Bankruptcy and Stay Legislation—Bankruptcy Legislation.”

Appropriation by Legislature

Per Capita Aid is subject to appropriation by the State Legislature for the benefit of the City as a part of the State budgetary process. The State Finance Law provides that the State Legislature shall appropriate the Sales Tax and Stock Transfer Tax to the Corporation. Under the State Constitution, in order to appropriate State funds, the State Legislature must approve such appropriation at least every two years. The State Legislature may not be bound in advance to make such an appropriation. It is contemplated, but the Corporation has no assurance, that the State Legislature will make an annual appropriation of the Per Capita Aid, Sales Tax and Stock Transfer Tax.

The Sales Tax is now imposed at the same rate and upon the same base as the previously imposed City sales tax. The Sales Tax is a new tax source for the State which, under the State Finance Law, is deposited in a special fund of the State (the Special Tax Account in the Municipal Assistance Tax Fund) rather than in the State's General Fund. The provisions of the State 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 have been appropriated and have been paid to the Corporation in full. Subject to appropriation by the Legislature and once the Per Capita Aid has been paid into the Municipal Assistance State Aid Fund, similar provisions of State Finance Laws restricting use of moneys by the State Comptroller are applicable.

The Corporation believes that any failure by the State Legislature to make annual appropriations as contemplated 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.

The foregoing discussion does not constitute an assurance that the State Legislature will appropriate the Per Capita Aid, Sales Tax and Stock Transfer Tax as contemplated.

Article 7, Section 16 of the New York State Constitution provides that if the State Legislature shall fail to make an appropriation for the payment of principal of and interest on State bonds or notes, 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.”

In the opinion of Bond Counsel, under existing law, upon any failure of the State Legislature to make the required appropriations as aforesaid, moneys on deposit in the Stock Transfer Tax Fund and the Municipal Assistance Tax Fund, including the Special Tax 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 said Article 7, Section 16 does not authorize or mandate such moneys to be set apart by the State Comptroller for the payment of State obligations. Further, under existing law, collections of the Sales Tax and Stock Transfer Tax which are to be deposited into the Special Tax 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 for the payment of State obligations. However, the source of moneys in the Special Aid Account is the apportionment and payment of Per Capita Aid from the General Fund of the State and upon a failure of the Legislature to make the appropriation referred to above, there can be no assurance given that there will be sufficient moneys available in the General Fund of the State to permit any apportionment and payment of Per Capita Aid after the State Comptroller sets apart a sum sufficient to pay any State obligations.

Municipal Assistance State Aid Fund

The Municipal Assistance State Aid Fund has been established by the State Finance Law and is in the custody of the State Comptroller. Within the Municipal Assistance State Aid Fund, the Special Aid Account is established for the benefit of the Corporation. The Special Aid Account receives revenues from the Per Capita Aid after certain claims, described below, having a priority on the payment of such aid have been satisfied. The State Finance Law provides for the allocation and payment of the Per Capita Aid subject to prior appropriation by the Legislature (although the Legislature is not obligated or bound to make such appropriation) of (i) any amounts, limited by the Financial Emergency Legislation to a maximum of $65,000,000 in any fiscal year of the City, required to be paid to the City University Construction Fund ("CUCF") pursuant to the City University Construction Fund Act, (ii) any amounts required to be paid in any fiscal year to the New York City Housing Development Corporation ("HDC") pursuant to the New York City Housing Development Corporation Act to restore the capital reserve fund established for HDC's General Housing Bonds to the amount required to be on deposit in such fund, which amount was limited by the Financial Emergency Legislation to the lesser of $85,000,000 or an amount equal to the maximum annual debt service, including principal of, sinking fund installments, if any, and interest on bonds issued by HDC in an aggregate principal amount outstanding of $800,000,000 or, (iii) the amount equal to any deficiency in certain payments required to be paid by the City to the New York City Transit Authority pursuant to the provisions of Chapter 7 of the Laws of New York State of 1972, (iv) the amount equal to any deficiency in annual payments required to be paid by the City to the State to repay an advance made pursuant to the provisions of Chapter 3 of the Laws of New York State of 1974, whereby the State made a loan to the City in order to subsidize the fare of the New York City Transit Authority, (v) $500,000 to the Chief fiscal officer of the City for payment to the trustees of the Police Pension Fund of the City pursuant to Section 54 of the State Finance Law and (vi) the balance to the Special Aid Account.* The Act provides that any provision therein or in any agreement by the Corporation with the holders of the Corporation's securities which relates to certain revenues, including Per Capita Aid, or to certain funds, including the Municipal Assistance State Aid Fund and the Special Aid Account, 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.

The Act provides that the State Comptroller shall make payments from the Special Aid 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 Aid Account that have been appropriated to the Corporation shall at any time be less than the amount certified by the Chairman, the State Finance Law provides for the transfer from the Special Tax Account, subject to prior liens thereon, to the Special Aid Account of an amount equal to the deficiency. See "Municipal Assistance Tax Fund."

*Although the Financial Emergency Legislation purports to limit claims on the Per Capita Aid pursuant to (i) above, such limitation may not be effective in the event that the outstanding bonds of the Dormitory Authority of the State of New York issued on behalf of CUCF (such bonds and the resolution pursuant to which they were issued referred to hereinafter by the designation "CUCF") are accelerated pursuant to the occurrence of an event of default under the CUCF bond resolution. In such event, all the outstanding bonds of CUCF would be due and would, to the extent of fifty percent of such principal amount, have a prior claim on the Per Capita Aid. CUCF has outstanding $527,885,000 in Bonds.
The State Finance Law provides that the State Comptroller shall from time to time, but in no event later than the 15th day of October, January and April and the last day of June of each fiscal year, pay to the City all revenues in the Special Aid Account in excess of the amount which the Chairman has certified to the State Comptroller. The Per Capita Aid is more fully described under "Per Capita Aid."

Pursuant to the Act and under the Second 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 of the City the amount of cash required by the Corporation in order for it to meet its obligations payable from the Bond Service Fund as they become due. Pursuant to the Act, the State Comptroller may not disburse amounts from the Special Aid Account to the City or any other entity so long as a certified amount required to be paid remains unpaid.

Pursuant to the Act and as provided in the Second General Bond Resolution, the foregoing certification procedure provides for payments to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund from the Special Aid Account to be made on or before January 15, April 15, June 25 and October 15 in each year. Consequently, the first interest payment on the 1976 Bonds, due on January 1, 1977, will be paid to the extent of moneys on deposit in the Bond Service Fund received from the payments into the Bond Service Fund in June and October 1976 from the Special Aid Account. Thereafter, subject to appropriation of Per Capita Aid by the State Legislature, the debt service payments due on January 1 and July 1 in each fiscal year of the Corporation will be paid from moneys on deposit in the Bond Service Fund received from payments into the Bond Service Fund, which payments will aggregate the total debt service payments required to be made in such year. For additional information concerning the certification procedure, see "Summary of Certain Provisions of the Second General Bond Resolution—Maintenance of Certain Funds."

However, the State is not bound or obligated to continue the apportionment and payment of the Per Capita Aid or to maintain the existence of the Special Aid Account. The Second General Bond Resolution, however, provides that (i) the failure of the State to continue to apportion and pay Per Capita Aid or to maintain the existence of the Special Aid Fund or the Special Aid Account or if the State reduces the amount of Per Capita Aid payable during the current fiscal year to an amount less than the amount of principal and interest maturing or otherwise coming due in the current or any future fiscal year, or (ii) the failure of the State Comptroller to pay to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund the amount or amounts as shall be certified by the Chairman, shall each constitute an event of default with respect to the Bonds. See "Summary of Certain Provisions of the Second General Bond Resolution—Events of Default."

The State Comptroller may in his discretion invest revenues in the Special Aid 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.

**Municipal Assistance Tax Fund**

The Municipal Assistance Tax Fund has been established by the State Finance Law and is in the custody of the State Comptroller. Within the Municipal Assistance Tax Fund, the Special Tax Account is established for the benefit of the Corporation. The Special Tax Account receives the revenues from 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. The operative date of the Sales Tax was July 1, 1975. The State Finance Law provides for the appropriation of the Sales Tax by the Legislature (although the 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 bonds and notes 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 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 securities which relates to certain taxes, including the Sales Tax and the Stock Transfer Tax, to certain funds, including the Municipal Assistance Tax Fund and the Special Tax Account, shall be deemed executory only to the extent of the
moneys available to the State in such Funds from time to time which monies 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.

The Act provides that the State Comptroller shall make payments from the Special Tax 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 Tax Account that have been appropriated to the Corporation shall at any time be less than the amount certified by the Chairman, the State Finance Law provides for the transfer from the Stock Transfer Tax Fund to the Special Tax Account of an amount equal to the deficiency. The Stock Transfer Tax Fund consists of the revenues derived from the Stock Transfer Tax. However, the State Finance Law authorizes appropriation of the moneys in the Stock Transfer Tax Fund to the Corporation commencing with the fiscal year of the State beginning April 1, 1976.

The State Finance Law provides that the State Comptroller shall from time to time, but in no event later than the 15th day of October, January and April and the last day of June of each fiscal year, pay to the City all revenues in the Special Tax Account in excess of the amount which the Chairman has certified to the State Comptroller. The Sales Tax and Stock Transfer Tax are more fully described under “Sales Tax” and “Stock Transfer Tax.”

Pursuant to the Act and under the Second 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 of the City the amount of cash required by the Corporation in order for it to meet its obligations payable from the Bond Service Fund as they become due. Pursuant to the Act, the State Comptroller may not disburse amounts from the Special Tax Account to the City or any other entity so long as a certified amount required to be paid remains unpaid.

Pursuant to the Act and as provided in the Second General Bond Resolution, the foregoing certification procedure provides for quarterly payments to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund from the Special Tax Account to be made on or before January 15, April 15, June 25 and October 15 in each year. Consequently, the first interest payment on the 1976 Bonds, due on January 1, 1977, will be paid to the extent of moneys on deposit in the Bond Service Fund received from the payments into the Bond Service Fund on June 30, and October 15, 1976 from the Special Tax Account. Thereafter, subject to appropriation by the Legislature, the debt service payments due on January 1 and July 1 in each fiscal year of the Corporation will be paid from moneys on deposit in the Bond Service Fund received from payments into the Bond Service Fund, which payments will aggregate the total debt service payments required to be made in such year. For additional information concerning the certification procedure, see “Summary of Certain Provisions of the Second General Bond Resolution—Maintenance of Certain Funds.”

The amount of revenues received from the Sales Tax must, upon certification by the State Commissioner of Taxation and Finance, be deposited in the Special Tax Account, regardless of the investment results of the State Comptroller pending such deposits. The Commissioner of Taxation and Finance may invest moneys in the Stock Transfer Tax Fund in accordance with the State Finance Law. However, if such amounts are needed for payment into the Special Tax Account, the Commissioner of Taxation and Finance must pay the amount of moneys needed from collections forthwith in cash into said Special Tax Account. The State Comptroller may in his discretion invest revenues in the Special Tax 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 Sales Tax and the Stock Transfer Tax do not require annual reenactment by the 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 Tax Account or the Stock Transfer Tax Fund or to make any appropriations of the revenues received from the Sales Tax credited to the Special Tax Account or from the Stock Transfer Tax deposited in the Stock Transfer Tax Fund. The Second General Bond Resolution, however, provides that (i) the failure of the State to continue the imposition, at rates not less than those in effect on July 2, 1975, of either the Sales Tax or Stock Transfer Tax or to maintain the
existence of the Special Tax Account or the Stock Transfer Tax Fund, or (ii) the failure of the State Comptroller to pay to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund the amount or amounts as shall be certified by the Chairman, shall each constitute an event of default with respect to the Bonds. See “Summary of Certain Provisions of the Second General Bond Resolution—Events of Default.”

As required by the Act and the First General Bond Resolution, $51,368,096 was deposited in the Debt Service Fund established pursuant to such Resolution from the Special Tax Account in the Municipal Assistance Tax Fund on October 14, 1975, $67,906,457 was so deposited on January 12, 1976, $9,991,043 was so deposited on February 5, 1976, $118,015,522 was so deposited on April 12, 1976 and $38,625,139 was so deposited on April 15, 1976.

Per Capita Aid

Since 1946 the State of New York has appropriated moneys to local governments, including cities and counties, pursuant to Section 54 of the State Finance Law.

The determination of the amount of Per Capita Aid payable to the City is based on complex formulae which take into account the population of the City, the total assessed valuation of real property taxable by the City, the City-wide State equalization rate and the total State Personal Income Tax collections. Special census figures have been used by the State from time to time in an effort to keep pace with population shifts and fiscal demands of local government, but the basic Per Capita Aid formulae have continued since that date.

Payments of Per Capita Aid, upon certification of the State Board of Equalization and Assessment, are apportioned and paid to the chief fiscal officer of the City on audit and warrant of the State Comptroller out of moneys appropriated by the Legislature for such purpose to the credit of the Local Assistance Fund in the General Fund of the State Treasury. Per Capita Aid payments are scheduled pursuant to Section 54 of the State Finance Law to be made to the City in four installments on the 25th day of February, April, June and October of each year. Section 92-e of the State Finance Law provides that subject to certain prior rights to payment, including that of the Corporation, payments are to be made to the City not later than the 30th day of June and the 15th day of April, October and January of each year. The Corporation has been informed that all or substantially all of the Per Capita Aid payable to the City on an annual basis has been disbursed to the City as a part of the June 25th payment. The Corporation has covenanted to make such certifications as are necessary to meet its requirements not later than the 25th day of June and 15th day of January, April and October of each year.

The determination of the amount of Per Capita Aid payable under Section 54 of the State Finance Law is a legislative act requiring, prior to its apportionment, appropriation for State aid purposes by the State Legislature. The provisions for Per Capita Aid are statutory and the Legislature, having the right to enact laws to provide State aid, may also amend or repeal such statutes or make no appropriation for Per Capita Aid. The State has appropriated moneys which have been apportioned among local governmental entities, including the City, in each year since 1946 and has provided some measure of assistance to local governments since 1800.

Legislation passed in April 1976 provides for the setting aside by the State Comptroller of State taxes and revenues which would otherwise be payable into the General Fund of the State in advance of maturity of tax and revenue anticipation notes issued by the State during its 1976-77 fiscal year and for the deposit of such taxes and revenues in a special account for the benefit of the holders of such notes subject to such exception as may be required to comply with obligations to holders of bonds of the State or holders of bonds guaranteed by the State. The Office of the State Comptroller has informed the Corporation that, based on its current projections of the monthly cash flow of moneys in the General Fund, the State Comptroller will not be required to set aside any moneys pursuant to the provisions of such legislation prior to June 25, 1976, the date on which moneys are required to be paid into the Special Aid Account for payment of debt service on the Bonds. If substantially similar legislation should be enacted so as to apply to tax and revenue anticipation notes issued by the State in subsequent fiscal years and if in the fiscal year
in which such notes mature there shall be insufficient moneys set aside pursuant to such legislation to pay
debt service on such notes when due prior to the time at which moneys are to be deposited in the
Corporation's Special Aid Account for the payment of debt service of Bonds of the Corporation, moneys
that would otherwise have been available for deposit in the Special Aid Account may be required to be set
aside pursuant to such legislation.

The following tabulation, which was derived from the New York City Bureau of the Budget and the
State Comptroller's office, indicates the aggregate payments of Per Capita Aid to the City received for the
six fiscal years ended June 30, 1975 and expected to be received for the fiscal year ending June 30, 1976:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$204,800,000</td>
</tr>
<tr>
<td>1971</td>
<td>$323,900,000</td>
</tr>
<tr>
<td>1972</td>
<td>$272,250,000</td>
</tr>
<tr>
<td>1973</td>
<td>$331,780,000</td>
</tr>
<tr>
<td>1974</td>
<td>$360,870,000</td>
</tr>
<tr>
<td>1975</td>
<td>$405,118,000</td>
</tr>
<tr>
<td>1976</td>
<td>$434,311,000*</td>
</tr>
</tbody>
</table>

* Of such amount approximately $433,791,000 has been appropriated in the State Budget for the
State fiscal year commencing April 1, 1976 and the remaining $520,000 remains subject to a supplemental
appropriation by the State Legislature.

Sales Tax

Under the Tax Law, the Sales Tax is imposed within the City at the rate of four percent on (i) receipts
from (a) retail sales of tangible personal property, (b) sales of certain services, (c) sales, other than sales
for resale, of gas, electricity, refrigeration and steam, and of telephony and telegraphy, (d) occupancies 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 not otherwise subject to the Sales
Tax. The Sales Tax is also imposed at the rate of six percent on receipts from sales of the service of
providing in the City parking, garaging or storing for motor vehicles. The imposition of the Sales Tax is
subject to certain limited exceptions. 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.

Generally, a seller of any item subject to the imposition of the Sales Tax is required to file returns 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.

Under the State Finance Law, the Sales Tax revenues payable to the Special Tax Account in the
Municipal Assistance Tax Fund shall be paid in accordance with the following procedure. On or before
the twelfth day of each month, the State Commissioner of Taxation and Finance shall 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, and in addition on or
before the last day of June the Commissioner shall certify the amount of such revenues received during the
first 25 days of June, which amount shall be deposited by the State Comptroller in the Special Tax
Account. Notwithstanding the foregoing, the Commissioner has, pursuant to the Act, prorated revenue
attributable to the quarter ending August 31, 1975, so as to separate from the revenue collected for that
quarter the revenue collected pursuant to local legislation adopted by the City pursuant to the Tax Law
prior to the operative date of the Sales Tax. The State Commissioner of Taxation and Finance has
informed the Corporation that such proration of sales and compensating use taxes collected in September
1975 has reduced payments to the Municipal Assistance Tax Fund by approximately $60,900,000.

The Sales Tax imposed pursuant to the Tax Law, effective July 1, 1975, 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 taxes which the City is authorized to impose. State
collections of the sales and compensating use taxes imposed by the City for its last ten fiscal years prior to
July 1, 1975, after deductions of the costs of administration, collection and distribution, were as follows:
State Collections of Sales and Compensating Use Taxes in New York City*

<table>
<thead>
<tr>
<th>City Fiscal Year Ending June 30</th>
<th>Total Collections (Dollars in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>$294,941 (a)</td>
</tr>
<tr>
<td>1967</td>
<td>371,317</td>
</tr>
<tr>
<td>1968</td>
<td>412,109</td>
</tr>
<tr>
<td>1969</td>
<td>438,772</td>
</tr>
<tr>
<td>1970</td>
<td>461,559</td>
</tr>
<tr>
<td>1971</td>
<td>494,645</td>
</tr>
<tr>
<td>1972</td>
<td>518,667</td>
</tr>
<tr>
<td>1973</td>
<td>549,184</td>
</tr>
<tr>
<td>1974</td>
<td>580,798</td>
</tr>
<tr>
<td>1975 (b)</td>
<td>787,200</td>
</tr>
<tr>
<td>1976 (b) (nine months ended March 31, 1976)</td>
<td>645,132</td>
</tr>
</tbody>
</table>

* Figures obtained from the State Department of Taxation and Finance.

 (a) The amounts collected for the fiscal year ended June 30, 1966, do not reflect collections for June or July, 1965. Prior to August 1965, the City administered the collection of its sales and compensating use taxes.

 (b) The amounts of sales and compensating use taxes collected for fiscal 1975 and 1976 reflect the increases in the sales and compensating use taxes from three percent to four percent, effective July 1, 1974. The six percent tax on sales of certain parking services remained the same.

Stock Transfer Tax

The Stock Transfer Tax is imposed pursuant to the Tax Law on sales, agreements to sell, memoranda of sale, and deliveries or transfers 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, made within the State. The imposition of the Stock Transfer Tax, as described, is subject to certain limited exceptions.

The level of Stock Transfer Tax receipts is related to the rate of tax imposed 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 is necessarily indicative of future receipts.

The Stock Transfer Tax is generally based on the number of shares sold or transferred at the following rates:

<table>
<thead>
<tr>
<th>Selling Price Per Share</th>
<th>Rate Per Share*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $5</td>
<td>1¼¢</td>
</tr>
<tr>
<td>$ 5 or more but less than $10</td>
<td>2⅛¢</td>
</tr>
<tr>
<td>$10 or more but less than $20</td>
<td>3¾¢</td>
</tr>
<tr>
<td>$20 or more</td>
<td>5¢</td>
</tr>
</tbody>
</table>

Transactions Other Than Sales

| Per share | 2⅛¢          |

* Such rates do not reflect the 25% surcharge imposed thereon pursuant to an amendment to the Tax Law effective for the period commencing August 1, 1975 and ending July 31, 1976. Such surcharge is part of the Stock Transfer Tax. The Resolution provides that it shall be an event of default on the Bonds if the State does not impose the Stock Transfer Tax at the rates in effect on July 2, 1975. The surcharge became effective August 1975.
Non-residents of New York State are taxed on sales made within the State at a rate equal to 50 percent of the rates shown in the table above. Where any sale, including several sales considered to constitute a single sale, made within the State and subject to the Stock Transfer Tax, relates to shares or certificates of the same class and issued by the same issuer, the aggregate amount of such tax shall not exceed $350. The Stock Transfer Tax accrues on the date of the taxable transaction. The foregoing information does not reflect the above noted 25% surcharge.

The amounts received by 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 State Finance Law, on and after April 1, 1976, 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 Tax Account and any balance will be paid to the City. 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 six City fiscal years ending June 30 based upon the various rates prevailing during the periods shown.

<table>
<thead>
<tr>
<th>City Fiscal Year Ending June 30</th>
<th>Total Collections (Dollars in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$239,969</td>
</tr>
<tr>
<td>1971</td>
<td>264,366 *</td>
</tr>
<tr>
<td>1972</td>
<td>292,822</td>
</tr>
<tr>
<td>1973</td>
<td>244,787</td>
</tr>
<tr>
<td>1974</td>
<td>189,098</td>
</tr>
<tr>
<td>1975</td>
<td>185,982</td>
</tr>
<tr>
<td>1976 (nine months ended March 31, 1976)</td>
<td>197,394</td>
</tr>
</tbody>
</table>

* Figures obtained from the State Department of Taxation and Finance.

The Corporation believes that it is not now possible to predict the effect of a City default or other related economic developments in the City on Sales Tax and Stock Transfer Tax collections. In addition, the enactment of the Federal Securities Acts Amendments of 1975, relating to the evolution of a centralized nationwide securities market, may affect the volume of taxable securities transactions in the State. The Securities Acts Amendments of 1975 prohibit the imposition by the State of a tax on stock transfers made outside of the State and not otherwise subject to the taxing jurisdiction of the State except for the fact such transfer is recorded on the books of a transfer agent located in the State. The Corporation has been advised by the Commissioner of Taxation and Finance that he believes that the decrease in Stock Transfer Tax collections attributable to the Federal Securities Acts Amendments of 1975 for the twelve consecutive calendar months commencing November 1, 1975 will be substantially offset by increases from the surcharge upon the Stock Transfer Tax, which surcharge commenced on August 1, 1975 and will end on July 31, 1976, and by increases in collections of sales and compensating use taxes and Sales Tax for the 12-month period commencing November 1, 1975, but this belief is conditioned upon the assumption that no material adverse change will occur in the financial or economic conditions of the State or the City during such twelve months.
ESTIMATED AMOUNTS AVAILABLE FOR FUNDING DEBT SERVICE REQUIREMENTS

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Estimated Net Per Capita Aid (1)</th>
<th>Net Sales and Stock Transfer Tax Available for Second Resolution Bonds (2)(3)</th>
<th>Total Amount Estimated to be Available for Second Resolution Bonds</th>
<th>Debt Service Funding Requirements on 1975 Series 1 Bonds (4)(5)</th>
<th>Debt Service Funding Requirements on 1975 Series 5 Bonds</th>
<th>Debt Service Funding Requirements on 1976 Series 5 Bonds</th>
<th>$500,000,000 Principal Amount 1976 Series 5 Bonds Coverage Ratios (6)</th>
<th>$1,141,900,000 Principal Amount 1976 Series 5 Bonds Coverage Ratios (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>$342,321,000</td>
<td>$464,827,082</td>
<td>$807,148,082</td>
<td>$51,266,104</td>
<td>$82,432,771</td>
<td>9.79</td>
<td>$122,444,538</td>
<td>6.59</td>
</tr>
<tr>
<td>1977</td>
<td>355,731,000</td>
<td>553,201,645</td>
<td>909,032,645</td>
<td>84,570,500</td>
<td>133,959,390</td>
<td>6.79</td>
<td>198,648,644</td>
<td>4.58</td>
</tr>
<tr>
<td>1978</td>
<td>364,339,000</td>
<td>590,984,518</td>
<td>955,523,518</td>
<td>83,626,750</td>
<td>133,626,750</td>
<td>7.15</td>
<td>197,816,450</td>
<td>4.83</td>
</tr>
<tr>
<td>1979</td>
<td>364,947,000</td>
<td>563,534,477</td>
<td>928,481,477</td>
<td>83,685,150</td>
<td>133,685,150</td>
<td>6.95</td>
<td>197,875,450</td>
<td>4.69</td>
</tr>
<tr>
<td>1980</td>
<td>385,355,000</td>
<td>443,343,502</td>
<td>828,698,502</td>
<td>66,832,600</td>
<td>141,347,600</td>
<td>5.86</td>
<td>237,099,600</td>
<td>3.50</td>
</tr>
<tr>
<td>1981</td>
<td>385,763,000</td>
<td>669,398,962</td>
<td>1,055,161,962</td>
<td>66,714,800</td>
<td>106,713,600</td>
<td>9.89</td>
<td>158,065,800</td>
<td>6.68</td>
</tr>
<tr>
<td>1982</td>
<td>391,271,000</td>
<td>698,247,493</td>
<td>1,089,518,493</td>
<td>66,730,400</td>
<td>139,867,800</td>
<td>7.79</td>
<td>233,754,000</td>
<td>4.66</td>
</tr>
<tr>
<td>1983</td>
<td>391,271,000</td>
<td>701,214,788</td>
<td>1,092,485,788</td>
<td>66,733,000</td>
<td>139,754,000</td>
<td>7.82</td>
<td>233,502,600</td>
<td>4.68</td>
</tr>
<tr>
<td>1984</td>
<td>391,271,000</td>
<td>736,859,998</td>
<td>1,128,130,998</td>
<td>66,665,600</td>
<td>139,556,600</td>
<td>8.08</td>
<td>233,153,000</td>
<td>4.84</td>
</tr>
<tr>
<td>1985</td>
<td>391,271,000</td>
<td>711,967,690</td>
<td>1,103,238,690</td>
<td>66,555,200</td>
<td>139,332,000</td>
<td>7.92</td>
<td>232,758,800</td>
<td>4.74</td>
</tr>
<tr>
<td>1986</td>
<td>391,271,000</td>
<td>802,324,165</td>
<td>1,193,595,165</td>
<td>(2,556,000)</td>
<td>70,082,000</td>
<td>17.03</td>
<td>163,332,000</td>
<td>7.31</td>
</tr>
<tr>
<td>1987</td>
<td>391,271,000</td>
<td>1,054,965,855</td>
<td>1,446,236,855</td>
<td>72,485,400</td>
<td>165,547,400</td>
<td>8.74</td>
<td>164,332,000</td>
<td>9.00</td>
</tr>
<tr>
<td>1988</td>
<td>391,271,000</td>
<td>1,096,098,343</td>
<td>1,487,369,343</td>
<td>72,324,600</td>
<td>165,173,600</td>
<td>9.03</td>
<td>164,339,600</td>
<td>9.02</td>
</tr>
<tr>
<td>1989</td>
<td>391,271,000</td>
<td>1,096,098,343</td>
<td>1,487,369,343</td>
<td>72,146,400</td>
<td>164,773,800</td>
<td>8.62</td>
<td>164,339,600</td>
<td>9.02</td>
</tr>
<tr>
<td>1990</td>
<td>391,271,000</td>
<td>1,091,883,858</td>
<td>1,483,154,858</td>
<td>71,959,200</td>
<td>164,339,600</td>
<td>20.61</td>
<td>164,339,600</td>
<td>9.02</td>
</tr>
<tr>
<td>1991</td>
<td>391,271,000</td>
<td>1,032,844,893</td>
<td>1,424,115,893</td>
<td>(2,759,800)</td>
<td>N.A.</td>
<td>N.A.</td>
<td>(6,302,800)</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

$699,811,104       $1,646,513,461  $2,861,892,482

1. Such amount represents the estimated amount of Per Capita Aid available to the Corporation based on the certification and appropriation of such Per Capita Aid in the approximate amount of $433,791,000 made for the fiscal year ending June 30, 1976, after taking into account the claims and liabilities described in paragraphs (a) through (d) below. The Corporation has sought to estimate such claims relying on information which the Corporation believes to be accurate and assuming that such claims do not exceed the limits set by the Emergency Financial Legislation (see “Municipal Assistance State Aid Fund”).

(a) City University Construction Fund. The Corporation has been informed by CUCF that on March 29, 1976 CUCF certified its requirements for the period July 1, 1976 through June 30, 1977 to be approximately $46,210,000, 50% of which occasions a claim against Per Capita Aid if not otherwise made available to CUCF by the City. .......................................................... $ 23,105,000

(b) New York City Housing Development Corporation. The Corporation has been informed by HDC that the maximum capital reserve fund requirement on all outstanding bonds of HDC as of this date is approximately $18,915,000. HDC has outstanding $37,703,000 in bond anticipation notes which HDC expects to fund with bonds. Such funding would have the effect of increasing the maximum capital reserve fund requirement by an amount equivalent to the annual debt service on the bonds issued to fund such notes. The issuance of such bonds may, in certain instances, be subject to Control Board approval. .......................................................... 18,915,000

(c) New York City Transit Authority

(i) Pursuant to Section 1 of Chapter 7 of the 1972 Laws of the State, the New York City Transit Authority (“NYCTA”) was authorized to issue and sell its promissory notes in the aggregate principal amount of $100,000,000 to certain sinking funds of the City. Upon the failure of the City to pay to the NYCTA the amounts necessary to pay such notes (in five equal annual installments), the amount of any such insufficiency is to be deducted from
Per Capita Aid and paid on such notes. The NYCTA has issued $100,000,000 in aggregate principal amount of such notes and the Corporation has been informed by the office of the Comptroller of the City, that as of April 30, 1976, $31,000,000 in principal amount of such notes, bearing interest at a maximum rate of 5% per annum, were still outstanding and that an additional $3,000,000 in principal amount of such notes are scheduled to be paid by June 30, 1976. Assuming such payment is made, $28,000,000 in principal amount of such notes shall remain outstanding and represent a potential annual claim on such Per Capita Aid in the principal amount of $20,000,000 and the interest due on any such outstanding notes until such time as the debt is retired...

(ii) Pursuant to Section 2 of such Chapter, the City was required to pay an aggregate $51,000,000 in equal annual installments for the ten years commencing December 31, 1972 to the NYCTA to enable the NYCTA to pay certain notes issued in anticipation of the receipt of revenues by the NYCTA. $30,600,000 in aggregate principal amount of such notes, bearing interest at the rate of eight per centum (8%) per annum, are outstanding at present. Any failure of the City to pay over to the NYCTA the required amount would give rise to an annual claim on Per Capita Aid in the amount of the insufficiency until such time as the debt is retired...

(iii) Pursuant to Chapter 3 of the 1974 Laws of the State, the State was authorized to make a first instance appropriation to the NYCTA, which appropriation was made in the amount of $100,000,000 subject to the re-payment of such amount to the State by the City in five equal annual installments commencing March 1, 1975. Failure by the City to make such re-payment gives rise to an annual claim against Per Capita Aid in the amount of the insufficiency until such time as the debt is retired. Such re-payment has commenced and $60,000,000 remains outstanding...

(d) New York City Police Pension Fund. Payments are due annually from Per Capita Aid to the Trustees of the City Police Pension Fund...

Estimated amount of Per Capita Aid available to the Corporation based on the aforementioned appropriation (fiscal year commencing July 1, 1975)...

2. Amounts shown as available after providing for State expenses of administration, payments due on First Bonds and Notes as defined in and issued pursuant to the First General Bond Resolution, and required for funding the Capital Reserve Fund as defined in and established by such Resolution. Assumes amounts available in each fiscal year subsequent to the Corporation's fiscal year ending June 30, 1976, remain at a level equal to the amount of collections for the twelve month period ended March 31, 1976 less State expenses of administration, all as reported to the Corporation by the office of the State Commissioner of Taxation and Finance, and also less estimated current fiscal year operating expenses of the Corporation of $6.8 million.

3. Under the Amended and Restated Agreement by and among the Corporation, the New York Clearing House Banks, and certain City pension funds and sinking funds, such Banks and funds have agreed to an adjustment of the maturities and interest rates on First Bonds which they hold in the aggregate principal amount of $1,808,323,000. See "Outstanding Debt of the Corporation." Such Agreement provides that the First Bonds so held be adjusted to bear interest at the rate of 6% per annum with principal redemptions on a substantially level debt service basis from February 1, 1977 to February 1, 1986, provided, however, that such Banks have the option to retain certain term bonds in the aggregate principal amount of $324,155,000 redeemable by operation of sinking fund installments to February 1, 1990 and adjusted to bear interest at 6% per annum. For purposes of this table, it has been assumed that no Bank will exercise such option although the Corporation believes it is possible that one or more Banks may exercise such option in whole or in part.

4. Debt service calculations have been prepared based on the times at which amounts of Sales and Stock Transfer Taxes and Per Capita Aid are paid to the Corporation for the payment of debt service on its bonds and notes...
based on its certifications made pursuant to the Act and the Resolution. See “Municipal Assistance State Aid Fund” and “Municipal Assistance Tax Fund.”

5. Debt service funding requirements include the Capital Reserve Aid Fund requirement which, for purposes of this chart, after 1980, is based on the higher of the current or succeeding year’s debt service. The Act provides that during the period commencing calendar year 1981 the Capital Reserve Aid Fund requirement is the amount of principal and interest maturing or otherwise due or becoming due in the succeeding calendar year on any Bonds of the Corporation then outstanding, including amounts unpaid from prior years. See “Restoration of Capital Reserve Aid Fund.”

6. Such coverage ratios should not be confused with and do not constitute the coverages required for the issuance of Additional Bonds pursuant to Section 202 of the Resolution. See “Summary of Certain Provisions of the Second General Bond Resolution—Additional Bonds and Notes.”
Within the current statutory authorization of $5,250,000,000, (i) Additional Bonds may be issued under the Second General Bond Resolution on a parity with the 1976 Bonds in the manner and subject to the limits described under “Bonds Being Offered” and (ii) additional bonds may be issued under the First General Bond Resolution having priority over the 1976 Bonds in the manner and subject to the limitations described under “Outstanding Debt of The Corporation.”

Restoration of Capital Reserve Aid Fund

Additional payments may be made to the Capital Reserve Aid 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 Aid Fund is the amount of principal of and interest maturing or otherwise due or becoming due in the succeeding calendar year on any bonds then to be issued and on all other bonds of the Corporation then outstanding, including for such purpose any unpaid amounts of principal and interest owing in respect of prior calendar years.

The Corporation, in accordance with the Act and pursuant to the express provisions of the Second 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 Aid Fund to its required amount and has agreed to certain additional requirements relating to such certification and maintenance of the Capital Reserve Aid Fund. See “Provisions for Payment of the Bonds—General.”

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 next after 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 the opinion of Bond Counsel, such provision of the Act for the appropriation and payment to the Corporation for deposit in the Capital Reserve Aid 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.

**TRUSTEE**

United States Trust Company of New York has been appointed the Trustee under the Second 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 Resolutions and is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to the Act. Upon the happening of an “event of default” as defined in the Second 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 Bondholders. See “Summary of Certain Provisions of the Second General Bond Resolution—Events of Default” and “Remedies.” 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. United States Trust Company of New York (the “Trust Company”), which is a New York Clearing House Bank, owns $3,540,000 of short-term obligations of the City and $5,688,000 of bonds of the Corporation issued under the First General Bond Resolution. The Trust Company also acts as Trustee under the First General Bond Resolution and has performed, and may in the future perform, certain banking services for the Corporation.

**DESCRIPTION OF THE 1976 BONDS**

The 1976 Bonds will be dated July 1, 1976, and will bear interest from the expiration date of this Exchange Offer at the rate of eight per cent (8%) per annum, payable semi-annually on January 1 and July 1 of each year commencing January 1, 1977, and will mature on July 1, 1991. Each 1976 Bond is subject to redemption at the election of the Corporation, in whole or in part at any time, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption.

The 1976 Bonds are further subject to redemption, in part, by lot, on July 1 of each year commencing July 1, 1982, from mandatory “Sinking Fund Installments” (as defined in the Second General Bond Resolution) at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption. The Corporation will be unable to determine the amount of such Sinking Fund Installments until the total amount of the 1976 Bonds is determined pursuant to the Exchange Offer. However, the Corporation expects to schedule such Sinking Fund Installments so that debt service shall be as nearly level as practical on the 1976 Bonds.

The 1976 Bonds will be delivered to the holders initially as fully registered Bonds in denominations equal to the aggregate principal amount of the accepted City Notes, which are exchangeable beginning 30 days thereafter as provided in the Resolutions for coupon Bonds in the denominations of $5,000 each, registrable on the books of the Corporation at the corporate trust office of the Trustee, as to principal only, or for other fully registered Bonds in the denominations of $5,000 or multiples of $5,000 (and only where necessary, $1,000 denominations). Interchange and transfer of registered Bonds to other authorized denominations will be readily available at the office of the Trustee commencing immediately after initial delivery.

For every exchange or transfer of the 1976 Bonds (other than the first exchange or transfer which shall be without cost to the holder) 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) shall be paid by the Corporation as an operating expense.

The Corporation may, at any time not more than 12 months prior to an interest payment date on which a Sinking Fund Installment is scheduled to be due, but in no event less than 45 days prior to such date, direct the Trustee to purchase with moneys in the Bond Service Fund, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase, any Bonds of the Corporation payable from such Sinking Fund Installment and apply any Bonds so purchased as a credit against such Sinking Fund Installment.

 MANAGEMENT

Under the Act, the Corporation is administered by a Board of Directors (the "Board"), consisting of nine directors. One vacancy on the Board exists at present due to the resignation of William M. Ellinghaus as Chairman of the Corporation and his appointment to serve on the Emergency Financial Control Board established under the Financial Emergency Legislation. The Mayor has recommended to the Governor the appointment of George M. Brooker to fill such vacancy. 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 any political subdivision thereof.

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

<table>
<thead>
<tr>
<th>Directors</th>
<th>Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix G. Rohatyn, Chairman</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Francis J. Barry(1)</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>John A. Coleman(1)</td>
<td>December 31, 1976</td>
</tr>
<tr>
<td>Thomas D. Flynn</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>George D. Gould(1)</td>
<td>December 31, 1978</td>
</tr>
<tr>
<td>Dick Netzer</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Donna E. Shalala, Treasurer</td>
<td>December 31, 1978</td>
</tr>
<tr>
<td>Robert C. Weaver</td>
<td>December 31, 1976</td>
</tr>
</tbody>
</table>

Representatives(2)

<table>
<thead>
<tr>
<th>Representatives</th>
<th>Appointed by the City Board of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zane Klein</td>
<td></td>
</tr>
<tr>
<td>Edward M. Kresky</td>
<td></td>
</tr>
<tr>
<td>Leonard Nadel</td>
<td></td>
</tr>
<tr>
<td>Nicholas L. Pitaro</td>
<td></td>
</tr>
<tr>
<td>Arthur J. Quinn</td>
<td></td>
</tr>
<tr>
<td>Robert W. Seavey</td>
<td></td>
</tr>
<tr>
<td>Sanford I. Weill</td>
<td></td>
</tr>
</tbody>
</table>

In addition, Herbert Elish is the Executive Director of the Corporation.

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

(2) 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.
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 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 serves as an observer to the Control Board. Mr. Rohatyn, 48, 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 also President of Cambell & Gardiner, a brokerage firm. 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 States Division of the National Maritime Union. He is a member of the Advisory Committee to the New York City Convention and Exhibition Corporation. Mr. Barry, 68, is a resident of New York City.

JOHN A. COLEMAN. Mr. Coleman is a senior partner of Adler, Coleman and Company, a member of the New York Stock Exchange, Inc. He is a former Governor and Chairman of the Board of the New York Stock Exchange, Inc. He is a director of American Broadcasting Companies, Inc. and the Alfred E. Smith Memorial Foundation and a trustee of the East River Savings Bank. He is a former director of the New York Telephone Company and Manufacturers Hanover Trust Company. He was recently appointed by the Mayor to the Temporary Commission on City Finances. Mr. Coleman, 73, is a resident of New York City.

THOMAS D. FLYNN. Mr. Flynn was, until September 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") from 1964 through 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 has been a director of National Bureau of Economic Research, Inc. since 1968, a member of its Executive Committee since 1969 and its Treasurer since 1970. He is also a trustee of American Savings Bank. He is a member of the Board of Directors of Household Finance Corporation, of which he is Chairman of the Audit Committee. Mr. Flynn, 63, is a resident of Sands Point, Long Island.

GEORGE D. GOULD. Mr. Gould was, until recently, 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. Effective June 1, 1976, Mr. Gould will be President of the Madison Fund Inc., and effective July 1, 1976, he will be its Chief Executive Officer. Mr. Gould, 48, 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 of The City of New York. 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, 48, is a resident of New York City.

DONNA E. SHALALA. Dr. Shalala is an Associate Professor of Politics, Teachers College, Columbia University. She is currently on leave from her teaching position on a Guggenheim Fellowship to write a book on state revenue politics. She has published extensively in the field of the financial structure of state and local governments and the subjects of her writings include the operations of pension systems, state aid to local governments and the politics of state budgeting. She has been active in New York civic affairs and serves as Vice Chairwoman of the Citizens Union. Dr. Shalala, 34, is a resident of New York City.

ROBERT C. WEAVER. Mr. 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. Mr. Weaver, 68, 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, 39, is a resident of New York City.

EDWARD M. KRESKY, Representative. Mr. Kresky is a First Vice President of Wertheim & Co., Inc., 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 Board of the New York State Council on the Arts and the Council of the National Municipal League. In 1974 he was a member of the Governor's Task Force on the New York State Urban Development Corp. and, in 1972 and 1973, 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, 51, is a resident of New York City.

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, an Associate Trustee of Long Island Jewish Medical Center, Vice Chairman and a director of the Downtown Brooklyn Development Association and, in 1971 and 1972, was President of the Brooklyn Chamber of Commerce. Mr. Nadel, 54, is a resident of New York City.

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, 55, is a resident of New York City.

ARTHUR J. QUINN, Representative. Mr. Quinn has been the President and a trustee of The New York Bank for Savings since 1969 and Chairman of the Board since January 1976. He is a director of City Title Insurance Company, of New York State Medical Care Facilities Agency, and of Community Funding Corporation. He is a trustee of St. John's University and BT Mortgage Investors. Mr. Quinn, 62, is a resident of New York City.

ROBERT W. SEAWEY, Representative. Mr. Seavey is a member of the law firm of Seavey, Fingerit & Vogel, New York, New York. He has been the President of Neighborhood Developers Inc., a real estate development and construction firm, for the past five years. He was, from 1971 through 1974, Chairman of the Housing and Urban Development Committee of the Association of the Bar of The City of New York. Mr. Seavey, 47, is a resident of New York City.

SANFORD I. WEILL, Representative. Mr. Weill is Chairman and Chief Executive Officer of Shearson Hayden Stone, 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. In January 1976, he was appointed by the Governor of New York to the Governor's Securities Industry Task Force. He is a member of the President's Council of Brandeis University. Mr. Weill, 43, is a resident of New York City.

HERBERT ELISH, Executive Director. Mr. Elish has been appointed by the Corporation as its Executive Director. In that position, he will direct the work of the Corporation's management, financial, accounting and legal staff. Prior to his appointment, Mr. Elish was a Vice President of the First National City Bank. From 1971 through 1973, he was employed by the City as, successively, Commissioner of Sanitation and Administrator of the Environmental Protection Administration. Mr. Elish, 42, is a resident of New York City.

49
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 such 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.

LITIGATION

Establishment and Functions of Corporation

On July 3, 1975, an individual purporting to be a taxpayer of the City brought an action in the State Supreme Court against the City, the State, the Corporation and other defendants, seeking, among other things, (i) a declaratory judgment determining that the establishment of the Corporation, its sale of debt obligations and transfer of the proceeds to the City are illegal and unconstitutional and (ii) an injunction prohibiting continuation of such acts. On July 4, 1975, the plaintiff served a notice of discontinuance of the action, without prejudice to his right to reinstitute his claim.

On July 18, 1975, the same individual reinstated the action, which, as to the Corporation, is substantially identical to his prior action. On July 29, 1975, the Corporation's motion for summary judgment, based on the grounds that the cause of action as to the Corporation has no merit, was granted. On September 10, 1975, the plaintiff appealed directly to the State Court of Appeals. On December 4, 1975, plaintiff entered into a stipulation dismissing his appeal to the Court of Appeals with prejudice.

Diversions of Revenues

On November 3, 1975, a national bank purporting to represent all holders of the City's bonds acquired before June 10, 1975 served a summons and complaint in the State Supreme Court addressed to the Corporation, the City, the State and certain officers of the City and State. The suit seeks, among other things, a declaratory judgment that the sections of the State Tax Law and the State Finance Law enacted as part of the Act are unconstitutional under Article 8, Section 2 of the State Constitution in depriving such holders of amounts to be received by the Corporation from the Sales Tax, which the plaintiff alleges would otherwise have constituted revenues of the City pledged for the payment of principal of and interest on such holders' City bonds. On November 19, 1975, plaintiff served an amended complaint, which added allegations that the sections of the State Tax Law and State Finance Law enacted as part of the Act are also unconstitutional under Article 1, Section 10 of the United States Constitution, the due process and equal protection clauses of the Fourteenth Amendment of the United States Constitution and the equal protection guarantee of Article 1, Section 11 of the State Constitution. Bond counsel has given its opinion to the Corporation that in a suit brought by a holder of any bonds or notes of the City, including the plaintiff in this lawsuit, asserting a right to the Sales Tax or the Sales Tax superior or equal to the rights of holders of bonds of the Corporation, including the Bonds, such holder will not prevail in the court of final jurisdiction.

The plaintiff bank in this suit also seeks a declaratory judgment that the City's publicly announced plan, upon any default, "to give priority of payment from the City's revenues to certain selected City employees, selected vendors, welfare recipients and certain other selected persons" before paying principal of and interest on bonds of the City is unconstitutional under Article 8, Section 2 of the State Constitution.
in that the holders of City bonds are to be paid the principal of and interest on such bonds from the first revenues received by the City and is illegal and unconstitutional under the Federal Bankruptcy Act and the supremacy clause of the United States Constitution. The suit further asks for a declaratory judgment that the provisions of Title 6-A of the Local Finance Law are illegal and unconstitutional under the State Constitution, the Federal Bankruptcy Act and the United States Constitution. See “Moratorium, Bankruptcy and Stay Legislation—Moratorium Legislation.” Finally, the suit also seeks a declaratory judgment that the Financial Emergency Act “unconstitutionally diverts and expropriates to the [Emergency Financial Control Board] all of the City revenues mandated for application to payment of plaintiff’s City bonds, and unconstitutionally abrogates the duty of the City Comptroller, as the City’s fiscal officer,” in violation of the State Constitution.

On December 3, 1975, motions for summary judgment made by the Corporation and by the State Tax Commission and the State Comptroller were granted by the State Supreme Court (i) holding that neither the State Constitution nor the United States Constitution was violated by the provisions of the legislation that (a) suspended the City’s right to collect the sales and use tax imposed by the City and (b) imposed the Sales Tax and (ii) declaring that the State Tax Commission may collect the Sales Tax and remit the proceeds to the Corporation as prescribed by the statute. Plaintiff appealed this judgment to the State Court of Appeals, which has transferred the case to the Appellate Division on the ground that the judgment appealed from does not finally determine the entire controversy between the parties.

**State Pension Funds Investment in Securities of the Corporation**

Several lawsuits in the State Supreme Court have sought to prevent the investment by certain State pension funds (the “Pension Funds”) in the securities of the Corporation. These suits were brought by various not-for-profit corporations, and certain of their officers and members, and by various individuals, against Arthur Levitt, as sole trustee of certain of the Pension Funds, and against the board of trustees of certain other Pension Funds. The plaintiffs in these suits sought, among other things, (i) declaratory judgments that the provisions of the Financial Emergency Legislation which direct the investment of the funds of the Pension Funds in bonds of the Corporation, are ineffective, void, unreasonable and unconstitutional under both the State and the United States Constitutions and (ii) injunctions to prevent the defendants from investing funds of the Pension Funds in securities of the Corporation, unless such investments were deemed, in good faith, by the defendants in their fiduciary capacities to be in the best interests of the Pension Funds.

On September 29, 1975, the State Court of Appeals declared unconstitutional under the State Constitution those portions of the Financial Emergency Legislation which mandated the investment by the Pension Funds of a portion of their assets in securities of the Corporation. The decision has now become final by virtue of the Court’s denial of a motion for rearraignment by the State Attorney General, counsel for the State Comptroller, and by the Corporation, as amicus curiae.

**State Pension Funds Investment in State Securities**

On October 17, 1975, the State Comptroller, as trustee of certain State pension funds, purchased $250,000,000 in State notes. On the same day, the State advanced $250,000,000 to the City to meet the State’s obligation to make an advance to the City as required by the Financial Emergency Legislation. Certain plaintiffs in the suits described under “Litigation—State Pension Funds Investment in Securities of the Corporation” had challenged the purchase of State notes. Such plaintiffs’ motion for a preliminary injunction barring that purchase was denied by the State Supreme Court. On October 17, 1975, the State Court of Appeals affirmed the lower court’s decision.

**City Pension Funds Investment in Securities of the Corporation**

Relying upon the decision of the State Court of Appeals referred to under “Litigation—State Pension Funds Investment in Securities of the Corporation,” an association purporting to represent retired City civil service employees had sought by litigation to prevent the trustees of certain City pension funds from investing assets of those funds in securities of the Corporation pursuant to the mandate contained in the Financial Emergency Legislation. On October 17, 1975, a motion by those plaintiffs for a preliminary
injunction barring the trustees of the City pension funds from making the proposed investments pursuant to the Legislation was denied by the State Supreme Court after the trustees had stated that they were purchasing the Corporation's securities on a voluntary basis and not pursuant to the mandate of the Financial Emergency Legislation. On February 4, 1976, plaintiffs served an amended and supplemental complaint. The amended complaint added allegations that sections 179(1) and (2) of the Retirement and Social Security Law are illegal and unconstitutional under the State and United States Constitutions, including those provisions of such legislation which declare securities of the Corporation to be reasonable, prudent and proper investments for fiduciaries. The amended complaint further asks for a declaratory judgment that certain legislation enacted in December, 1975 providing for the indemnification by the City of public pension fund trustees for liabilities on losses arising out of the purchase by such trustees of securities of the City or of the Corporation is illegal and unconstitutional under the State and United States Constitutions; and that those provisions of the Financial Emergency Legislation which mandated the investment by the teachers’ retirement fund of a portion of its assets in securities of the Corporation are illegal and unconstitutional under the State and United States Constitutions. Finally, the amended complaint also seeks a judgment declaring that the investments already made by the trustees in securities of the Corporation are illegal and that the trustees are liable to the fund for any losses sustained by the fund as a result of such investments.

On November 14, 1975, a retired teacher filed suit against the Corporation and others in State Supreme Court seeking to restrain the members of the Board of the Teachers' Retirement System of the City of New York from purchasing obligations of the State, the City or any instrumentality thereof, including the Corporation. On December 2, 1975, plaintiffs' motion for a preliminary injunction was denied and cross-motions by the defendants to dismiss the complaint were granted. On February 6, 1976, plaintiff filed a notice of appeal to the Appellate Division.

On February 4, 1976, an action was brought in the United States District Court for the Southern District of New York by a retired New York City teacher, purporting to sue on behalf of a class of all retired New York City teachers, against the Corporation, the City, the members of the Board of the Teachers' Retirement System of the City of New York and others. The complaint alleges that the State statute which had mandated purchases of bonds of the Corporation by the Teachers' Retirement System violates various provisions of the State and United States Constitutions and that purchases of bonds of the Corporation by the Teachers' Retirement System allegedly made “pursuant thereto” were unconstitutional and allegedly impaired the rights of retired teachers. Plaintiff seeks, among other things, to enjoin further purchases of securities of the Corporation and the City by the Teachers' Retirement System. The defendants have until June 15, 1976 to answer or move against the complaint.

**Lawsuit Affecting the UFT Contract**

An action seeking to have the United Federation of Teachers ("UFT") contract with the City declared null and void was brought in the State Supreme Court by a taxpayer and bondholder of the City on or about October 20, 1975. The Corporation has not been served in this suit, but has been named as a defendant on the claim that it "honor[s]" and "recognize[s]" the contract. Plaintiff has made purported service upon the UFT. On December 1, 1975, a motion by the UFT to dismiss the complaint for lack of personal jurisdiction was granted. This ruling has now become final by virtue of plaintiff's failure to appeal.

**State Loan of Credit**

In September, 1975, an individual brought an action in the State Supreme Court against the State, the Governor and the State Comptroller, alleging that (i) pursuant to legislation adopted for such purpose, the State, acting by the Governor and State Comptroller, had undertaken to borrow $750,000,000 on the faith and credit of the State in aid of the City, (ii) $250,000,000 of such amount had already been borrowed for such purpose, and (iii) the State had given or loaned its credit to or in aid of the City in violation of Article 7, Section 8 of the State Constitution by borrowing money in aid of the City. The plaintiff sought a declaratory judgment that the procedures established by the Financial Emergency Legislation "pursuant to which defendants have borrowed money on the credit of the State in aid of the City was not lawfully enacted and that any indebtedness incurred for such purpose is void and of no consequence or effect."
The Attorney General, as counsel for the defendants, filed a motion to dismiss the action and that motion was granted on October 15, 1975. On October 21, 1975, plaintiff appealed this ruling to the State Court of Appeals. On March 23, 1976, the Court of Appeals affirmed the dismissal of plaintiff's complaint, holding that the use of short-term borrowing on the faith and credit of the State to fund appropriations in aid of the City was valid as long as the State could reasonably anticipate that it would subsequently have funds available to repay such short-term borrowing.

**Illegal Expenditures**

On November 6, 1975, a State Senator began an action in State Supreme Court seeking to prevent the City Police Department from protecting property and personnel of the United Nations and of foreign embassies in the City, on the ground that these organizations are not “within the territorial limits of the City” and, therefore, any expenditure of funds for such protection is unlawful. The action seeks to direct the Corporation to reject any budget of the City which authorizes such expenditures. On April 13, 1976, plaintiff's motion for a preliminary injunction was denied and cross-motions by the defendants to dismiss the complaint were granted. On January 14, 1976, plaintiff entered into a stipulation discontinuing the action with prejudice as against the Corporation.

**Moratorium**

In November 1975, a national bank purporting to represent all holders of notes of the City commenced an action in the State Supreme Court against the Corporation, the City, the Emergency Financial Control Board and the City Comptroller, challenging the constitutionality of the Moratorium Act relating to New York City obligations. See “Moratorium, Bankruptcy and Stay Legislation—Moratorium Legislation.” On December 23, 1975, the Supreme Court granted a motion of the defendants for summary judgment and dismissal of the complaint. The dismissal was affirmed by the Appellate Division on May 5, 1976. Plaintiff has filed a notice of appeal to the State Court of Appeals and has requested that the appeal be heard during the court's September 1976 term.

On December 9, 1975, an action was commenced, allegedly on behalf of all holders of notes of the City, in the United States District Court for the Southern District of New York by a corporation holding notes of the City against the City, the City Comptroller and the Corporation seeking (i) to have the Moratorium Act declared unconstitutional under provisions of the State and United States Constitutions, (ii) to enjoin the Corporation from issuing to holders of notes of the City, any securities of the Corporation having a maturity in excess of one year, and (iii) to require either (a) that the State Legislature amend the Moratorium Act to apply to City bonds and to provide that holders of notes of the City receive the rate of interest stated thereon, or (b) that the Moratorium Act be declared unconstitutional. On May 21, 1976, plaintiff served a motion seeking to enjoin the Corporation from making this Exchange Offer. Such motion has not been heard by the court.

On December 12, 1975, another action was commenced in the same District Court by an individual purporting to represent all holders of notes of the City against the City and the City Comptroller (but not the Corporation) seeking to have the Moratorium Act declared unconstitutional under various provisions of the United States Constitution. On May 14, 1976, the District Court denied motions by defendants to stay these actions pending the outcome of the State court action described in the preceding paragraph, and also denied a motion by the individual plaintiff to convene a three-judge court.

On or about December 11, 1975, another action was commenced in the State Supreme Court by two individuals against the City, the City Comptroller and the State (but not the Corporation), seeking to have the Moratorium Act declared unconstitutional on the same grounds alleged in the State court action described above, and seeking payment by the City of principal of and interest on all of its notes which were scheduled to mature on December 11, 1975.

**Interest on Non-Exchanged Notes**

On or about April 6, 1976, an action was commenced against the City in the State Supreme Court by a partnership holding notes of the City seeking a judgment declaring the minimum 5% annual rate of interest on non-exchanged notes of the City, as established by the Moratorium Act, constitutionally deficient under the State and United States Constitutions, and requiring the payment of such additional interest, if any, on those notes upon their redemption or at the expiration of the Moratorium period, as the court finds constitutionally mandated. A motion has been made for certification of the action as a class action.

See “Moratorium, Bankruptcy and Stay Legislation—Moratorium Legislation.”
Lawsuits Alleging Fraud in the Sale of City Securities

Several separate class-action lawsuits have been commenced in the United States District Court for the Southern District of New York against the City, the Mayor, the City Comptroller and certain bank and non-bank dealers in City obligations, charging, in general, that, in connection with the sale of City bonds and notes, the defendants concealed material facts concerning the City's finances and in so doing defrauded plaintiff investors. The suits seek damages for the losses incurred as a result of the alleged concealment. The Corporation is not a defendant in any of these lawsuits and none of the complaints in such lawsuits contain any allegations which, if proven, would impair the Corporation's ability to repay its bonds.

See “Rights of Noteholders.”

VARIOUS CONTROL PROGRAMS

Conditions to Payments by the Corporation

At the time of any purchase from the City of obligations of the City, any exchange of the Corporation's bonds or notes for short-term obligations of the City 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, as they may be modified from time to time by the Corporation in accordance with the Act. No such modification, however, may be so substantial as effectively to constitute a waiver of the statutory conditions. 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 until the Corporation has accumulated in the capital reserve funds provided for in the Act or otherwise an amount equal to the principal of all its outstanding bonds and notes plus accrued interest thereon. However, the State Legislature may from time to time modify the provisions of the Act which establish the conditions with which the City must comply. Failure of the City to comply with any of the statutory conditions outlined below is not a default under the Bonds pursuant to the Second General Bond Resolution. An event of default may, however, occur under the Second General Bond Resolution if the Corporation fails to notify designated officials and to disclose publicly the failure of the City so to comply. See “Summary of Certain Provisions of the Second General Bond Resolution—Events of Default.”

The City is entitled, at any time, to pay the Corporation an amount which, when added to the capital reserve funds, equals the principal of all the Corporation's outstanding bonds and accrued interest and redemption premiums, if any. If the City makes any such payment at a time when the Corporation has outstanding bonds which are not then redeemable, the City must agree to pay the Corporation on demand an amount equal to the amount, if any, by which the amount of interest on such bonds exceeds the Corporation's income from the investment of its funds. In the event of any such payment by the City, it shall not thereafter be required to comply with the conditions described herein.

Subject to the foregoing, the statutory conditions that the City is required to observe and perform are as follows:

1. The City is to certify that (a) it is in compliance with such of the conditions, described below, as the Corporation may specify; (b) it is undertaking to comply with any of such specified conditions as the Corporation may then require; and (c) all local legislative and executive action then required to permit such compliance by the City has been taken.

2. The City has informed the Corporation that the City has initiated 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 (required by condition 3 below) provided to the Corporation for the City's fiscal year ending June 30, 1978 and for each subsequent fiscal year can be prepared in accordance with such accounting method. Because the City's adoption of the foregoing accounting method may result in substantial adjustments from its present method, the Corporation and the City are to consult, over the course of the introduction and adoption of the new method, in order to formulate a mutually acceptable method of phasing such
adjustments into the new method over such reasonable period, not exceeding ten years, as the Corporation determines to be appropriate. The financial statements and other information to be furnished to the Corporation by the City during such period are to be prepared in accordance with such determination.

3. The City is to take such action as may be necessary to enable the State Comptroller, or at his election an independent certified public accounting firm retained by the City but satisfactory to the State Comptroller, to perform an annual audit and to furnish to the Corporation an annual report, beginning with the City's fiscal year ending June 30, 1978, and for each subsequent fiscal year, as to the financial statements of the City. Each such report is to be prepared in accordance with the accounting method described in condition 2 above.

4. Beginning with the City's fiscal year ending June 30, 1977, the City is to deliver a proposed expense budget to the Corporation. Such delivery is to be made concurrently with the initial submission of a proposed expense budget to the Board of Estimate and the City Council but in no event later than 45 days prior to the beginning of such fiscal year. The proposed expense budget delivered to the Corporation is to be accompanied by (a) a statement setting forth the assumptions of income and expense used in its preparation, (b) a reconciliation of the differences, if any, between such proposed expense budget and the proposed expense budget submitted to the Board of Estimate and the City Council, and (c) a certificate of the Mayor stating that such assumptions are reasonable and that operation within the proposed budget is feasible (and explaining the reasons for any differences from the proposed expense budget submitted to the Board of Estimate and City Council). The City is in each of its fiscal years to adopt and maintain an expense budget in which the total of all income items equals or exceeds the total of all expenditure items. In addition, for the City's fiscal year ending June 30, 1978, and for each of its subsequent fiscal years, the total of all income items is to equal or exceed the total of all expenditure items in each expense budget adopted by the City, after any adjustments necessary to conform to the accounting method which will be required by the Corporation as described in condition 2 above. The City is also to maintain a balanced budget in accordance with such accounting method.

5. The City is, over a period of ten fiscal years beginning with its fiscal year ending June 30, 1977, to eliminate from its capital budget those expenses that are properly includable only in its expense budget, as determined in accordance with 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 determination of which items are properly includable only in the City's expense budget is to be made in accordance with the aforesaid accounting principles regardless of any prior or subsequent act of the State Legislature otherwise classifying such items.

6. If after an expense budget has been adopted by the City an increase in that budget is proposed, the Mayor is to submit such proposed increase to the Corporation concurrently with its submission to the Board of Estimate and the City Council. The City is to include in such submission to the Corporation a statement of the source of current income or other identifiable and currently available funds required for the payment of such increase.

7. Beginning as soon as the Corporation may specify but not later than December 1, 1975, the City Budget Director is to deliver to the Corporation, for each fiscal quarter of the City, an expenditure plan to implement the City's expense budget for such fiscal quarter. The City Budget Director is to deliver to the Corporation, within 30 days after the end of each such fiscal quarter, an operations report reflecting results of the City's operations for such fiscal quarter and stating whether the City has operated within the related expenditure plan. The Corporation has agreed to accept the reports submitted by the City to the Federal Government pursuant to the Credit Agreement as reports in compliance with this condition, subject to the receipt by the Corporation of any further information requested by the Corporation.

8. The City is to comply in all material respects with the expenditure limitations in its budgets, except insofar as any noncompliance is the result of (i) such unanticipated circumstance occurring during such fiscal year that would permit the issuance of budget notes under the State Local Finance Law or (ii) a mandatory increase in expenditures by reason of State or Federal legislation enacted after the adoption of the City's budget for such fiscal year.
9. The City is not to permit the aggregate principal amount of its outstanding short-term obligations plus the aggregate principal amount of all the bonds and notes issued by the Corporation (less any bonds or notes of the Corporation which have been refunded or renewed and less any short-term obligations of the City then held by the Corporation) to exceed (i) $6,100,000,000 (hereinafter the "Base Debt Limit") plus (ii) an additional amount, not exceeding 10% of the Base Debt Limit. Notwithstanding the foregoing, during the fiscal years of the City ending June 30, 1976 and 1977, such additional amount may not exceed 30% of the Base Debt Limit; during the fiscal year ending June 30, 1978, the additional amount may not exceed 25% of the Base Debt Limit; during the fiscal year ending June 30, 1979, the additional amount may not exceed 20% of the Base Debt Limit; and during the fiscal year ending June 30, 1980, the additional amount may not exceed 15% of the Base Debt Limit. In addition to the foregoing limitation, the City is not, at any date, to permit the aggregate principal amount of its outstanding short-term obligations (excluding bonds anticipation notes) plus the aggregate principal amount of all bonds and notes issued by the Corporation (less any notes or bonds refunded or renewed and less any short-term obligations of the City then held by the Corporation and less any short-term obligations of the City issued and payable within the same fiscal year) to exceed $4,500,000,000 plus, in the discretion of the Board of Directors, an additional amount not exceeding $500,000,000, plus in the further discretion of the Board of Directors until June 30, 1976, a further additional amount of $100,000,000. At the date of this Exchange Offer the Board had authorized and the City had utilized slightly more than $500,000,000 of such additional amounts.

Notwithstanding any other provision of the Act, the Corporation is not authorized to modify or waive the limitations specified in condition 9 above as to the maximum aggregate amount of short-term obligations of the City permitted to be outstanding.

Not less than 20 days prior to the issuance of any short-term obligations by the City, other than issuance to the Corporation, the City Comptroller is to notify the Corporation of the proposed issuance, specifying the amount and proposed terms thereof and the authority under which such obligations are proposed to be issued, together with the certificate of the City Budget Director specifying the proposed source of the funds for the redemption thereof. If, within ten days of such notice, the Corporation determines, after consultation with the City Comptroller and the City Budget Director, that the issuance of such obligations would violate the limitations specified above, the Corporation is to deliver to the City Comptroller a certified copy of such determination and the City Comptroller is not thereafter to issue such obligations.

Powers of the Corporation

The Act authorizes the Corporation to pay to the City part or all of such amounts as the Mayor from time to time certifies to the Corporation, as the amounts required by the City to enable it to pay either the principal of and interest on, at maturity, any short-term obligations of the City or certain operating expenses of the City. In lieu of making direct payments to the City, the Corporation may purchase City obligations from the City having a maturity date not later than 15 years from the original date of issue. All amounts received by the City pursuant to any payment or purchase described in this paragraph must, in the case of amounts to be used for the payment of short-term City obligations, be held in trust for such purpose by the City and, in the case of amounts to be used for the payment of operating expenses by the City, be used to pay such operating expenses.

The Act provides that the outstanding amounts paid to the City for operating expenses in the manner described in the previous paragraph shall not exceed $1,925,000,000 and shall be evidenced by obligations issued by the City. Not more than an aggregate of $900,000,000 of such obligations shall mature in a fiscal year succeeding the fiscal year in which issued; the balance of $1,025,000,000 shall be payable in the fiscal year in which issued. The City is obligated to apply to welfare or public education purposes as to which State assistance advances have been or will be advanced to the City, not less than $750,000,000 of the amount received for operating expenses that are evidenced by obligations of the City maturing in a fiscal year succeeding the fiscal year in which issued. The Corporation's advances to the City for operating expenses to the date of this Exchange Offer aggregate $1,799,770,158.
In addition to granting the Corporation the power to make the payments and purchases described in the two immediately preceding paragraphs, the Act authorizes the Corporation to issue its bonds or notes in exchange for short-term obligations of the City as provided therein, provided that the principal amount of the Corporation's bonds or notes issued in any such exchange shall not exceed the principal amount of such short-term obligations of the City and accrued interest thereon at the stated rate to the date of such exchange. Upon receipt of the short-term obligations of the City in any such exchange, the Corporation is permitted by the Act to deliver such short-term obligations to the City, which will thereupon cancel such obligations without making any payment of principal amount or accrued interest thereon, and the City shall have no further liability with respect to the obligations so cancelled. The Act, however, prohibits the Corporation from delivering to the City for cancellation bond anticipation notes of the City received in any such exchange unless the City pays the principal amount of and accrued interest thereon or pays accrued interest and exchanges such bond anticipation notes for other bond anticipation notes of the City in equal principal amounts and at not less than the same interest rate, in refunding or renewal thereof.

The Act further prohibits the Corporation from making the payments to or purchases from or exchanging any of its bonds or notes for short-term obligations of the City, as described above, unless the City shall have agreed to observe and perform the conditions described above under the caption "Conditions to Payments by the Corporation", subject to such modifications as are described therein and as the Corporation may then approve. In addition, no such exchange of obligations may be made unless the Board of Directors of the Corporation shall have determined that the terms of such exchange will not prejudice the rights of holders of other bonds and notes of the City.

Review by the Corporation

In order to determine whether the City has taken or is taking action to comply with the conditions specified above, the Corporation is authorized to conduct a review of the records, accounts, budgets, forecasts, projections and other relevant materials of the City. The City is to make available for such review all of its books and records and is to furnish copies of all financial statements, budgets, forecasts, projections, information or corrective action taken by the City in response to any notices from the Corporation. The City is to make its officers and employees available to and is otherwise to cooperate with the persons conducting any such review for the Corporation.

Action by the Corporation

The proposed expense budgets (including related revenue estimates) and the proposed modifications thereof, the reports on expense items in the capital budget, and the expenditure plans and operations reports, all of which are to be submitted to the Corporation as set forth under the caption "Conditions to Payments by the Corporation", are to be reviewed by the Corporation's staff or designee promptly upon receipt.

If within 45 days after the receipt of the above information, the Board of Directors of the Corporation determines (a) that, in its judgment, the City's expense budget will not be balanced, either by its terms or because income is overestimated or expenditures are underestimated therein, or that a report of proposed modifications indicates that as a result thereof the expense budget would not be balanced, or (b) that one or more of the other conditions described above under the caption "Conditions" has not been met or will not be met, then the Corporation shall promptly notify the Mayor of such determination and shall review with him the manner in which corrective action may be taken in order to balance the expense budget or comply with such other conditions.

In the event that the Board of Directors of the Corporation (a) determines, following such review with the Mayor, that the corrective action necessary to balance the budget or cause compliance with such other conditions will not be taken, (b) determines, as a result of a review made pursuant to the authority discussed above under the caption "Review by the Corporation", that the City is not in compliance with any of the conditions specified above under the caption "Conditions to Payments by the Corporation" or that any representation or undertaking contained in any certificate delivered pursuant to the requirements discussed above is materially incorrect or has not been complied with in all material respects or (c) agrees to any limitation of the implementation of the requirements discussed above under the caption "Conditions
to Payments by the Corporation”, then the Corporation is to certify promptly a copy of such determination or modification to the Governor, the State Legislature, the State Comptroller, the Mayor, the Board of Estimate, The City Council and the City Comptroller and is to disclose such determination or modification to the public.

The foregoing actions are not to be exclusive and the Corporation is to have and may exercise all other rights and remedies provided by law.

Control Board

The members of the Control Board created pursuant to the Financial Emergency Legislation (see “Certain Developments Affecting the City”) the Governor and Comptroller of the State, the Mayor and Comptroller of the City, and William M. Ellinghaus (formerly Chairman of the Corporation), Albert V. Casey and David I. Margolis, the latter three being appointees of the Governor.

Pursuant to the Financial Emergency Legislation, the Control Board is required to develop in conjunction with the City, the City Financial Plan for the fiscal years ending June 30, 1976, 1977 and 1978 for the City.

The City Financial Plan is to constitute a program by which (1) the City will achieve a budget for its fiscal year ending June 30, 1978 balanced in accordance with the accounting principles set forth in the State Comptroller's Uniform System of Accounts for Municipalities, as the same may be modified by the State Comptroller in consultation with the City Comptroller, and (2) the State-imposed limitations contained in the Act on outstanding short-term obligations of the City will be observed at all times. See “Certain Developments Affecting the City.”

The Control Board may, upon the request of the City, allow (a) an increase in the expense budget (other than for the required amounts) of the City or of a covered organization for any fiscal year (which increase may be cumulative) equal to two percent of the current expense budgets (other than the required amounts), or (b) such further increases as the Control Board may approve as required to meet the impact of substantial inflation after the effective date of the Emergency Act, but in either case only if the Control Board determines that increased revenues are available in an amount equal to the requested increase in expenditures.

As announced by the Control Board, the City Financial Plan contemplates that the City will furnish on a regular and timely basis sufficient underlying detail to enable the Control Board to monitor and implement the City Financial Plan. Although the details of the monitoring program by the Board have not yet been completely worked out, the Control Board announced that its monitoring plan will include:

1. monthly reports on operating programs and quarterly reports on capital programs by agency;
2. monthly reports on revenues by category; and
3. a system of early warning safeguards, which will direct early attention to areas of potential non-compliance.

Pursuant to the Emergency Act, commencing on October 20, 1975, the effective date of the City Financial Plan, and continuing for the duration of the emergency period, all revenues received by the City or any covered organization became revenues of the Emergency Financial Control Board Fund (the “Fund”) and are for the account of the City and the appropriate covered organizations, and all funds, and accounts as thereafter established by the City or the covered organizations became funds and accounts of the Fund,* except to the extent expressly prohibited by federal law or where such revenues or funds and accounts are pledged to the payment of, or prohibited by covenants or agreements relating to, any outstanding bonds, notes or other obligations of covered organizations. Disbursements from the Fund are made by the Control Board in accordance with the approved City Financial Plan. In addition, the

* The Control Board has the power to exempt revenues, funds or accounts from these requirements but has not done so to date.
Emergency Act provides that the Control Board shall establish and adopt procedures with respect to the deposit of revenues in the Fund, the investment of moneys therein and the disbursement of moneys from the Fund.

The Control Board, at its meeting on October 20, 1975, adopted certain resolutions implementing the above requirements. The Control Board resolved that it was its intention to promulgate regulatory procedures in detail in the near future and that, until such procedures were promulgated, it elected to continue in effect the existing agreements between the City and the banks in which the accounts of the City are maintained, subject, however, to certain modifications, effective October 20, 1975, including (i) continuing the validity of the present signatories for the accounts of the City until the Control Board notifies such banks to terminate such validity, (ii) designating the signature of any member of the Control Board plus the signature of the State Special Deputy Comptroller as alternative signatories for such accounts, and (iii) empowering the Special Deputy Comptroller to prohibit, restrict, direct or otherwise control the deposit of moneys into, or the disbursement of moneys from, any such accounts.

In addition to its responsibilities with respect to the City 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. In carrying out these responsibilities the Control Board is empowered to receive from the City and the covered organizations such financial and management information as it deems necessary or desirable and to carry out independent audits of the records of the City and the covered organizations.

The Financial Emergency Legislation also provides for the appointment by the State Comptroller of a State Special Deputy Comptroller. Sidney Schwartz, formerly the Director of the New York City Audit Bureau, of the office of the State Comptroller, has been named to that position. The Special Deputy Comptroller is to assist the Control Board in carrying out its functions.

See “Various Control Programs—Powers of the Corporation” as to the Corporation’s continuing obligations under the Act.

SUMMARY OF CERTAIN PROVISIONS OF THE SECOND GENERAL BOND RESOLUTION

Following is a summary of certain provisions of the Second General Bond Resolution. The Summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Second General Bond Resolution, to which reference is hereby made and copies of which are available from the Corporation.

Certain Defined Terms

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

“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 4 of Section 3036-a of the Act, including, as provided in Section 901 of the Second General Bond Resolution for such purposes, any unpaid and matured amounts of principal and interest on the Bonds or such larger amounts as may hereafter be authorized pursuant to the Act as amended from time to time.

“First General Bond Resolution” shall mean the General Bond Resolution adopted by the Corporation on July 2, 1975 as heretofore and hereafter supplemented in accordance with the terms thereof.
“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.

“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 this Resolution or the First General Bond Resolution or otherwise.

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

“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 such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption 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 to be redeemed, notice of such redemption shall have been given as in 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.

“Outstanding Note Resolutions” shall mean the Note Resolutions adopted by the Corporation on September 15, 1975 and November 17, 1975.

“Outstanding Notes” means the Notes issued by the Corporation pursuant to the Outstanding Note Resolutions.

“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 authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

“Per Capita Aid” shall mean the amounts of per capita aid payable to the City pursuant to Section 54 of the State Finance Law.

“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.

“Resolution” shall mean the Second 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 Sections 3036 and 3036-a of the Act except any payments to the Corporation for credit to the Operating Fund.

“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 July 1 for the retirement of any Outstanding Bonds of said Series which mature after said future July 1, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond, and said future July 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.

“Special Aid Account” shall mean the special account created for the Corporation in the State Aid Fund.

“State” shall mean the State of New York.

“State Aid Fund” shall mean the Municipal Assistance State Aid Fund established pursuant to Section 92-e of the State Finance Law.

“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 and are secured by the pledge of the revenues of the Corporation and the moneys and securities in the Bond Service Fund and Capital Reserve Fund as described in the caption “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, other than any Series of Bonds authorized by one or more Series Resolutions adopted prior to November 30, 1975, issued under the Resolution shall be authenticated and delivered by the Trustee nor shall Bonds 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, 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 revenue 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 certain 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 of the State Comptroller setting forth the amount of Per Capita Aid to be apportioned and paid into the Special Aid Account for the fiscal year of the State during which such series of Bonds are issued.

(3) A certificate by an authorized officer of the Corporation setting forth (a) the maximum amount of principal and interest maturing or otherwise coming due in the current or any succeeding fiscal year or any outstanding obligation issued, pursuant to the First General Bond Resolution and the outstanding Note Resolutions, (b) 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, for each Fiscal Year and (c) the aggregate amount of Operating Expenses as estimated by an authorized officer for the current Fiscal Year; and

(4) A certificate by an authorized officer of the Corporation stating that the aggregate of the amounts set forth pursuant to paragraphs (1) and (2) above after deducting the amount set forth pursuant to paragraph 3(a) above and the Operating Expenses set forth pursuant to paragraph 3(b) above, will be at least 1.2 times such aggregate amount set forth in 3(b) above for each Fiscal Year set forth pursuant to paragraph 3(b) above.

(Resolution, Section 202)

The Pledge Effected by the Resolution

The proceeds of sale of the Bonds, the Revenues, and all Funds 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. The pledge created by the Resolution insofar as it relates to revenues, moneys and securities and funds pledged either under the First General Bond Resolution or the Outstanding Note Resolutions is and is expressly declared to be, subordinate in all respects to the pledge of such revenues, moneys and securities and funds created by the First General Bond Resolution or the Outstanding Note Resolutions.

(Resolution, Section 601)

Establishment of Funds

The Resolution establishes the following Funds:

(1) Bond Service Fund, which is held by the Trustee; and

(2) 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-a of the Act shall be applied to the Operating Fund, the Bond 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)

Bond Service Fund

1. The Trustee shall on or before the business day preceding each interest payment date for any Bonds pay, out of the amounts then held in the Bond 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 due and payable on such date, and such amounts so paid out shall be irrevocably pledged to and applied to such payments.

2. In the event that on the business day preceding any interest payment date, the amount in the Bond 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 Bond Service Fund such amounts as will increase the amount in the Bond 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 Bond 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 Bond 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 July of any year but in no event less than 45 days prior to the succeeding first day of July on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys in the Bond 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 July shall be cancelled by the Trustee and evidence of such cancellation shall be given to the Corporation 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 July.

(Resolution, Section 605)

Capital Reserve Fund

1. The Corporation shall deposit into the Capital Reserve Fund (sometimes referred to as the “Capital Reserve Aid Fund”) (i) all moneys paid to the Corporation pursuant to subdivisions 1, 2 and 3 of Section 3036-a 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 monies which may be made available to the Corporation for the purposes of the Capital Reserve Fund from any other source or sources.

63
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 Bond 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 Requirement, upon direction of the Corporation, may be deposited to the credit of the Bond 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 3 of Section 3036-a 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 3 of Section 3036-a of the Act, as amended, shall be deposited in the Capital Reserve Fund, as required by paragraph 1 of Section 606 of the Resolution.

4. Moneys and securities held for the credit of the Capital Reserve Fund may, and at the direction of the Corporation shall, be withdrawn from the Capital Reserve Fund by the Trustee and deposited in the Bond Service Fund for the purchase or redemption of Bonds at any time provided that subsequent to such purchase or redemption the amount in the Capital Reserve Fund will not be less than the Capital Reserve Fund Requirement.

*(Resolution, Section 606)*

**Maintenance of Certain Funds**

In order to assure the maintenance of the Operating Fund, the Bond 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) (but not later than March 1, 1976 for the Fiscal Year ending June 30, 1976), the Chairman of the Corporation shall certify to the State Comptroller and to the Mayor and a copy to the Trustee a schedule setting for 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 Bond Service Fund to pay all interest on, and all payments of principal, Sinking Fund Installments, if any, and Redemption Price, if any, of Bonds 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 payment (to be made on or before April 12, June 25, 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 Bond Service Fund and available for purposes of the Bond Service Fund during such Fiscal Year, not less than the sum of (A) 50% of the interest on all outstanding Bonds, the interest on which is payable from the Bond Service Fund of the Corporation payable within six months after the end of the period for which such payment is made plus (B) 25% of the principal and premium, if any, on all Bonds and Sinking Fund Installments of the Corporation payable within one year after the end of the 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 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 of or interest on the Bonds, any amounts due to be received as payment of principal of or interest on obligations of the City held by the Corporation. See “Provisions for Payment of the Bonds—Municipal Assistance Tax Fund”.

(Resolution, Section 607)

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 purporting 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 whomsoever.

(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. See “Agreement of the State of New York.”

(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 Bond Service Fund except to the extent provided in Section 601 provided, however, that nothing contained in the Resolution shall prevent the Corporation from issuing (i) bonds, notes, or any other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution, (ii) obligations issued in accordance with Article II of the First General Bond Resolution and (iii) obligations issued in lieu of or in substitution for other obligations pursuant to Sections 304 and 307 and Sections 307 through 310 or Sections 406 or Section 1106 of the First General Bond Resolution.

(Resolution, Section 907)

General

Subject to the rights of holders of obligations issued pursuant to the First General Bond Resolution, the Corporation shall not modify or amend the First General Bond Resolution in any manner which would have a material adverse effect on the Bondholders, provided, however, that nothing herein shall prevent the Corporation from amending or supplementing the First General Bond Resolution to provide for the issuance of Bonds, Notes or other Obligations (as such terms are defined in the First General Bond Resolution) as provided in the First General Bond Resolution. No such Bonds, Notes or other Obligations shall be issued in accordance with Article II of the First General Bond Resolution if such issuance would cause the amounts stated in paragraphs (1) and (2) of subsection 3 of Section 203 after making the deductions provided to be less than 1.2 times such aggregate amount set forth in paragraph 3(b) of subsection 3 of Section 203 for each Fiscal Year set forth pursuant to said paragraph 3(b) if such certifications required to be made pursuant to such subsection 3 had been made at the time of the issuance of such Bonds, Notes or other Obligations.

The Corporation hereby covenants and agrees with all who may be holders of the Bonds that it shall not issue and the Corporation represents hereby that there are presently not outstanding any Bonds, Notes, or Other Obligations (as such terms are defined in the First General Bond Resolution), or any bonds, notes or other obligations pursuant to any resolution, including the Outstanding Note Resolutions, of the Corporation, the holders of which would have a right to payment from the State Aid Fund prior or equal to the right of the holders of the Bonds to payment from such Fund.

(Resolution, Section 909)

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 Per Capita Aid, the Sales Tax or the Stock Transfer Tax or the sources set forth in the Act. The foregoing shall not limit any right which the corporation has on the date of this resolution under the First General Bond Resolution.

(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-a 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 Bond 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 Bond Service Fund the amount or amounts received by the Corporation for deposit in such Funds; or

(d) the Corporation shall fail or refuse to comply with the provisions of subdivisions 2 and 3 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 or the Stock Transfer Fund; or

(h) the State shall for any reason fail or refuse to apportion and pay Per Capita Aid or shall fail to maintain the State Aid Fund and the Special Aid Account therein or shall reduce the amount of Per Capita Aid payable during the current Fiscal Year to an amount less than the maximum amount of principal of and interest on the Outstanding Bonds maturing or otherwise coming due in the current or any future Fiscal Year.

(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), (g) or (h) 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 for 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 monies available for such purpose, in any manner provided by law, the monies 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 monies 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 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 monies, 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 modifications 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 shall 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 Resolution 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. Monies in the Bond 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 investment arrangements, including, but not limited to, repurchase agreements covering obligation of issuers enumerated as authorized for investments pursuant to the provisions of paragraph (1) above, 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 or securities dealers approved by an authorized officer; provided, that each such interest-bearing time deposit or other similar investment 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 monies; and provided further, that all monies in each such interest-bearing time deposit or other similar investment arrangement shall be continuously and fully secured by obligations of the issuers enumerated as authorized for investments pursuant to the provision of paragraph (1) above, of a market value equal at all times to the amount of the deposit or of the other similar investment 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)

Deasurance

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 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 monies 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 monies 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 monies which, together with the monies, 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 Resolution and stating such maturity or redemption date upon which monies 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 monies 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 practicable, 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)

AGREEMENT OF THE STATE OF NEW YORK

The State has pledged to and agreed with the holders of the 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 Bonds, 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 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 Second 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 of or premium, if any, or interest on the Bonds. See "Provisions for Payment of the Bonds—Restoration of Capital Reserve Aid Fund."

LEGAL INVESTMENT

The 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. Pursuant to the Act the 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.

APPROVAL OF LEGALITY

Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation expects to render an approving opinion in the form attached to this Official Statement as Exhibit A. Certain legal matters 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.

TAX EXEMPTION

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

Lazard Frères & Co., New York, New York, 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 Tax Law, the State Finance Law, the Financial Emergency Legislation and the Resolutions are summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act, such Laws and the Resolutions for full and complete statements of such provisions. Copies of such Act, such Laws and such 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
REPORT OF INDEPENDENT ACCOUNTANTS

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

The accompanying Statement of Financial Position of Municipal Assistance Corporation For The City of New York as of March 31, 1976, and the related Debt Service Fund Statement of Cash Receipts and Expenditures and Operating Fund Statement of Receipts and Expenditures, for the period then ended were not audited by us and accordingly we do not express an opinion on them.

PRICE WATERHOUSE & CO.

60 Broad Street
New York, N. Y. 10004
May 20, 1976
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

DEBT SERVICE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

For the Period from Inception on June 10, 1975 to March 31, 1976

(Unaudited)

Receipts:

Principal amount of bonds and promissory notes issued $3,835,460,000.00
Less:
Discount on bonds issued ........................................... 24,183,225.56
City of New York notes received in exchange for second general resolution bonds (Note 5) 458,275,000.00
Net proceeds from issuance of bonds and notes 3,353,001,774.44
Accrued interest received on issuance of bonds 6,379,763.97
Sales Tax allocation received from the State of New York 245,057,957.93
Interest income on obligations of The City of New York (Note 5) 35,512,821.59
Interest income from investments in marketable securities 5,608,946.59
Total receipts .......................................................... 3,645,561,264.52

Expenditures:

Disbursements to The City of New York:
From bond proceeds and Tax allocation 3,360,218,699.39
Interest income refunded on obligations of The City of New York (Note 5) 31,100,000.00
Total disbursements to The City of New York 3,391,318,699.39

Payments to bond and noteholders:
Interest paid on First General Resolution Bonds 125,515,229.42
Principal repayment on Promissory Note 25,000,000.00
Interest paid on Promissory Note 229,166.66
Total payments to bond and noteholders 150,744,396.08

Interest expense on short-term borrowing 539,554.80
Total expenditures .................................................. 3,542,602,650.27

Excess of cash receipts over expenditures, representing Debt Service Fund assets at March 31, 1976 (Note 2) $ 102,958,614.25

F-3
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

OPERATING FUND

STATEMENT OF RECEIPTS AND EXPENDITURES

For the Period from Inception on June 10, 1975 to March 31, 1976
(Unaudited)
(Note 6)

Receipts:—
Operating Fund appropriation allocated from Municipal Assistance Tax Fund...... $3,100,000.00

Expenditures:—
Debt issuance:
  Printing and public notices .......................................................... 1,251,275.19
  Legal services ........................................................................ 2,519,556.35
  Trustee and related services ....................................................... 294,796.46
  Total ....................................................................................... 4,065,628.00

Oversight functions:
  Office of Special Deputy Comptroller (Note 8) .................................. 336,345.02
  Emergency Financial Control Board (Note 8) ......................................
  Total ....................................................................................... 336,345.02

Administrative:
  Personnel services—
    Salaries and benefits .................................................................. 143,307.55
    Legal services ........................................................................... 11,250.00
    Other personnel services ............................................................. 105,296.11
  Travel expenses ........................................................................... 11,319.82
  General office supplies expenses .................................................... 11,661.79
  Communications ........................................................................... 4,777.60
  Printing and public notices ............................................................. 1,639.47
  Total ....................................................................................... 289,252.34

Total expenditures ........................................................................... 4,691,225.36

Excess of expenditures over receipts, representing net funding requirement at March 31, 1976 (Note 2)........... $1,591,225.36
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Corporation maintains its accounting records on the accrual basis of accounting as reflected in the accompanying Statement of Financial Position and Operating Fund Statement of Receipts and Expenditures. The Debt Service Fund Statement of Cash Receipts and Expenditures reports the cash receipts and disbursements during the period on a cash basis. Net funding requirements reported in the Statement of Financial Position do not include future interest requirements.

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 are charged to the operating fund as incurred.

Receipts are recorded in the Operating Fund as allocations are approved by New York State.

In the Statement of Financial Position, no recognition has been given to obligations of The City of New York which are held by the Corporation (see Note 5). Interest received on City obligations is credited to the Debt Service Fund as received.

NOTE 1—ORGANIZATION AND FUNCTIONS OF THE CORPORATION:

Municipal Assistance Corporation For The City of New York ("Corporation") is a corporate governmental agency and instrumentality of the State of New York 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 ("City") in providing essential services to its inhabitants without interruption and creating investor confidence in the soundness of the obligations of the City. To carry out such purposes, the Corporation is empowered to and has, among other things, 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—FUTURE FUNDING REQUIREMENTS:

The Corporation funds its debt service requirements and operating expenses by receipt of tax allocations from the State's collections of Sales Taxes imposed by the State of New York within The City of New York and Stock Transfer Taxes and Per Capita Aid. Tax amounts not allocated to the Corporation for its requirements are available to the City under the terms of the applicable statutes.

Debt service, including principal and interest to maturity, for obligations issued under the First General Bond Resolution and Promissory Note Resolutions, aggregating $5,360,966,125 (Note 3, Exhibit 2), 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 imposed by the State of New York within The City of New York and, if necessary, revenues collected from Stock Transfer Taxes after April 1, 1976. 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. The net Sales and Stock Transfer Tax revenues which were collected during the twelve months ended December 31, 1975 amounted to over $1,028 million. Through March 31, 1976 $150,744,397 had been paid to bond and note holders under these resolutions.
Debt service, including principal and interest to maturity, for obligations issued under the Second General Bond Resolution, aggregating $699,811,104, are to be paid 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 of New York to the City of New York, after satisfaction of prior claims. Allocations to the Corporation from the Municipal Assistance State Aid Fund are to be made annually. The Per Capita Aid payment disbursed to the City on June 25, 1975 amounted to $405 million of which approximately $109 million would have been subject to prior claims by City agencies and would not have been available to the Corporation.

Funding under all 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.

Amounts to be paid to the Corporation from the Municipal Assistance Tax Fund and the Municipal Assistance State Aid Fund are available only after the State legislature annually approves the appropriation.

NOTE 3—BONDS AND NOTES PAYABLE:

Existing legislation authorizes the Corporation to issue $5,250,000,000 aggregate principal amount of bonds and notes, excluding 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 resolutions and restructuring agreement referred to below 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 and notes 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 monies paid into the Debt Service and Capital Reserve Funds from the Special Accounts created in the Municipal Assistance Tax Fund and State Aid Fund.

Legislation provides for the creation of a Capital Reserve Fund to provide for the periodic payment of interest and retirement of principal on bonds. Generally the Capital Reserve Fund for the bonds requires that the following percentages of each calendar year's debt service requirement be placed on deposit by January 1 of such year: 1977—25%, 1978—50%, 1979—75%, 1980 and thereafter—100%.

The First General Resolution Bonds are senior to the Promissory Notes in claim on funds from the Sales and Stock Transfer Taxes on deposit in the Municipal Assistance Tax Fund. The Second Resolution Bonds, in addition to a claim on Per Capita Aid funds available to the Corporation, 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 and Note Resolution debt service and capital reserve fund, but before such amounts are released to the City.

Pursuant to an agreement with certain of the New York City commercial banks, Pension and Sinking Funds, the terms of certain bonds held by them were renegotiated to provide for lower interest rates and to adjust maturities. Note 2 and the accompanying exhibits give effect to the intended result of this agreed restructuring as if none of the parties to the Agreement have elected to exercise their option to retain original maturity schedules with respect to certain series. However, in the event that all parties to the agreement were to elect such option, the aggregate debt service to maturity, referred to in Note 2 above on First Resolution Bonds and Promissory Notes could increase to $5,494,668,000. See Exhibit 3 for a summary of future debt service funding requirements for the First Resolution Bonds outstanding at March 31, 1976 as issued and as intended to be restructured under the agreement which has not been fully implemented.

NOTE 4—INVESTMENTS IN MARKETABLE SECURITIES:

Debt service funds transferred to the Corporation in advance of disbursement to bond and note holders are temporarily invested for the Corporation by United States Trust Company of New York acting as Trustee or agent under the bond and note resolutions, and the income therefrom is credited to the Debt Service Fund for which such investments are made.
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 at March 31, 1976 comprised the following at cost which approximates market value:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Bills maturing July 29, 1976</td>
<td>$ 11,259,378.16</td>
</tr>
<tr>
<td>Treasury Bills maturing August 24, 1976</td>
<td>1,514,923.40</td>
</tr>
<tr>
<td>7½% Bond Anticipation Notes of various State agencies due September 14, 1976</td>
<td>90,000,000.00</td>
</tr>
<tr>
<td></td>
<td><strong>$102,774,301.56</strong></td>
</tr>
</tbody>
</table>

NOTE 5—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. As of March 31, 1976, the Corporation held $2,197,300,000 of such City notes (which were issued in exchange for such payments made by the Corporation).

In addition, under an exchange offer made by the Corporation, which terminated on December 29, 1975, holders of $458,275,000 principal amount of short-term notes of the City exchanged such notes for bonds of the Corporation issued under the Second General Bond Resolution.

All of the above described notes held by the Corporation are subject to the moratorium currently in effect under the laws of the State of New York. Under the moratorium legislation, the Corporation may not during the period of the moratorium, bring any action against the City seeking payment of principal on such notes even though their scheduled maturity dates have passed, provided that the City pays interest on such notes at the rate of 6% per year at least annually. Further, it is the Corporation's present intention that such notes shall not be presented for payment of principal.

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 tax 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 debt service requirements.

Because of these circumstances, the City's notes held by the Corporation have not been included in the accompanying statement of financial position.

Through March 31, 1976 $31,100,000 of interest received on City notes had been refunded.

NOTE 6—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 (Note 8) and the general administration of the Corporation.

These expenses, including the deficit incurred through March 31, 1976, are to be funded by an annual appropriation from the Special Account in the Municipal Assistance Tax fund. The amount of the appropriation for fiscal year 1976 is currently $4 million.

The Corporation was entitled to, and partially utilized, a First Instance Appropriation of $3 million in commencing its operations. The amount remaining at March 31, 1976 to be repaid to the State from the 1976 and subsequent operating expense appropriations was $22,884.

Receipts are recorded in the Operating Fund as allocations are approved by the State. At March 31, 1976, $3,100,000 had been so allocated, of which $639,762 had not been expended and was held for the Corporation's account by the State Department of Audit and Control. Expenditures are recorded as goods or services are received on the accrual basis of accounting.

The accompanying Statement of Receipts and Expenditures does not include any expenses for the Corporation's Financial advisor which is serving without compensation, nor does it include any rent expense, as office space has been provided by the State at no cost until after April 1, 1976.
Expenditures from the Operating Fund are processed for payment by the State Department of Audit and Control, except payroll payments which are made directly by the Corporation in amounts previously authorized.

NOTE 7—LITIGATION

An action has been brought seeking to establish that the statutes which appropriate sales tax and stock transfer tax revenue to purposes of the Corporation are illegal or unconstitutional. A summary judgment was granted the Corporation and other defendants declaring that the State Tax Commission may collect such tax and remit the proceeds to the Corporation as prescribed by statute. An appeal of the judgment is pending before the New York State Appellate Division.

The Corporation has also been named in several suits challenging the constitutionality of the Moratorium Act and seeking, among other things, to enjoin the Corporation from issuing securities with a maturity over one year to holders of New York City Notes. In the first of these actions to be considered, the defendants were granted a summary judgement, which was affirmed by the Appellate Division, but may be appealed to the New York State Court of Appeals.

NOTE 8—COMMITMENTS AND CONTINGENCIES:

The Corporation’s responsibilities for the oversight of New York City’s financial affairs, pursuant to the requirements of the Act, are substantially similar to the responsibilities of the Office of the Special Deputy Controller for the City of New York 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 New York City’s financial affairs. The Corporation’s current estimate of the annual cost of these services is $1 million. In addition, the Corporation executed a contract effective April 29, 1976 providing for further oversight services to be performed by the staff of the Emergency Financial Control Board at an annual cost not to exceed $500,000.

In May, 1976 the Corporation announced its intention to make an Exchange Offer of up to $500,000,000 principal amount of Bonds to be issued under the Second General Bond Resolution for certain notes of The City of New York. The Corporation intends to reserve the right to issue bonds in excess of $500,000,000. The Bonds to be issued in the Exchange Offer will mature on July 1, 1991, subject to amortization on a substantially level debt service basis from July 1, 1982 through July 1, 1991, and will bear interest at the rate of 8% per year.

Pursuant to the Amended and Restated Agreement dated November 26, 1975 the City Pension and Sinking Funds agreed in principle, under certain conditions, to purchase prior to June 30, 1978, a total of $2,530,000,000 of New York City obligations or at their option, obligations of the Corporation, in an amount up to $1,141,900,000, less the principal amounts of bonds issued by the Corporation in the exchange offer referred to above for City notes. To date the Corporation has not been requested to issue any obligations under this provision of the Agreement.

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 perform its obligations pursuant to the Amended and Restated Agreement dated November 26, 1975 regarding a restructuring of certain of the Corporation’s bonds; 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.
**MUNICIPAL ASSISTANCE CORPORATION**  
FOR THE CITY OF NEW YORK  

**PRINCIPAL AMOUNTS OUTSTANDING**  
**BY SERIES AT MARCH 31, 1976**  
(Unaudited)  

**Note 3**  

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Resolution:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A (Public)</td>
<td>February 1: 1977-1988</td>
<td>6.5%-9.25%</td>
<td>$549,460,000.00</td>
</tr>
<tr>
<td>A (Restructured)</td>
<td></td>
<td>6%</td>
<td>450,340,000.00</td>
</tr>
<tr>
<td>B (Public)</td>
<td>1980-1983</td>
<td>10%-11%</td>
<td>212,912,000.00</td>
</tr>
<tr>
<td>B (Restructured)</td>
<td></td>
<td>6%</td>
<td>58,688,000.00</td>
</tr>
<tr>
<td>C</td>
<td>1977-1986</td>
<td>6%</td>
<td>250,000,000.00</td>
</tr>
<tr>
<td>D</td>
<td>1977-1986</td>
<td>6%</td>
<td>100,000,000.00</td>
</tr>
<tr>
<td>E</td>
<td>1977-1986</td>
<td>6%</td>
<td>40,295,000.00</td>
</tr>
<tr>
<td>F</td>
<td>1977-1986</td>
<td>6%</td>
<td>80,000,000.00</td>
</tr>
<tr>
<td>G</td>
<td>1977-1985</td>
<td>8%-11%</td>
<td>50,000,000.00</td>
</tr>
<tr>
<td>H</td>
<td>1977-1986</td>
<td>6%</td>
<td>9,990,000.00</td>
</tr>
<tr>
<td>I</td>
<td>1984-1985</td>
<td>6%</td>
<td>100,000,000.00</td>
</tr>
<tr>
<td>J (Public)</td>
<td>1977-1986</td>
<td>6%</td>
<td>98,910,000.00</td>
</tr>
<tr>
<td>J (Restructured)</td>
<td></td>
<td>11%</td>
<td>28,500,000.00</td>
</tr>
<tr>
<td>K</td>
<td>1977-1986</td>
<td>6%</td>
<td>41,500,000.00</td>
</tr>
<tr>
<td>L</td>
<td>1977-1986</td>
<td>6%</td>
<td>86,050,000.00</td>
</tr>
<tr>
<td>M</td>
<td>1977-1985</td>
<td>6%</td>
<td>63,000,000.00</td>
</tr>
<tr>
<td>N</td>
<td>1990-1994</td>
<td>6%</td>
<td>25,000,000.00</td>
</tr>
<tr>
<td>O</td>
<td>1977-1986</td>
<td>6%</td>
<td>63,000,000.00</td>
</tr>
<tr>
<td>P</td>
<td>1977-1986</td>
<td>6%</td>
<td>23,000,000.00</td>
</tr>
<tr>
<td>Q</td>
<td>1977-1986</td>
<td>6%</td>
<td>10,000,000.00</td>
</tr>
<tr>
<td>R</td>
<td>1977-1986</td>
<td>6%</td>
<td>30,000,000.00</td>
</tr>
<tr>
<td>S</td>
<td>1977-1986</td>
<td>6%</td>
<td>177,000,000.00</td>
</tr>
<tr>
<td>T</td>
<td>1986-1990</td>
<td>6%</td>
<td>40,000,000.00</td>
</tr>
<tr>
<td>U</td>
<td>1986-1995</td>
<td>6%</td>
<td>100,000,000.00</td>
</tr>
<tr>
<td>V</td>
<td>1977-1986</td>
<td>6%</td>
<td>81,000,000.00</td>
</tr>
<tr>
<td>W</td>
<td>1991-1994</td>
<td>6%</td>
<td>35,000,000.00</td>
</tr>
<tr>
<td>X</td>
<td>1981</td>
<td>10%</td>
<td>20,850,000.00</td>
</tr>
<tr>
<td>Y</td>
<td>1977-1986</td>
<td>6%</td>
<td>14,500,000.00</td>
</tr>
<tr>
<td>Z</td>
<td>1986-1995</td>
<td>11%</td>
<td>150,000,000.00</td>
</tr>
<tr>
<td>AA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total First Resolution**  
$3,078,685,000.00$  

**Second General Resolution Bonds:**  

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1977-1986</td>
<td>8%</td>
<td>$89,945,000.00</td>
</tr>
<tr>
<td>2</td>
<td>1977-1986</td>
<td>8%</td>
<td>191,670,000.00</td>
</tr>
<tr>
<td>3</td>
<td>1977-1986</td>
<td>8%</td>
<td>78,700,000.00</td>
</tr>
<tr>
<td>4</td>
<td>1977-1986</td>
<td>8%</td>
<td>97,960,000.00</td>
</tr>
</tbody>
</table>

**Total Second Resolution**  
$458,275,000.00$  

**Promissory Notes:**  

<table>
<thead>
<tr>
<th>Date</th>
<th>Interest Rate</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 14, 1976</td>
<td>8.7%</td>
<td>$250,000,000.00</td>
</tr>
<tr>
<td>February 15, 1977</td>
<td>6%</td>
<td>23,500,000.00</td>
</tr>
</tbody>
</table>

**Total Promissory Notes**  
$273,500,000.00$  

Total principal amounts outstanding at March 31, 1976: $3,810,460,000.00
## MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

### SUMMARY OF ANNUAL DEBT SERVICE FUNDING REQUIREMENTS
(Unaudited)
(Notes 2 and 3)

<table>
<thead>
<tr>
<th>For the fiscal year ended June 30</th>
<th>Capital reserve fund contribution</th>
<th>First general bond resolution</th>
<th>Second general bond resolution</th>
<th>Promissory note resolutions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>$ 16,953,000.00</td>
<td>$334,352,511.40</td>
<td>$34,313,104.44</td>
<td>$296,918,750.02</td>
<td>$682,537,365.86</td>
</tr>
<tr>
<td>1977</td>
<td>119,916,756.25</td>
<td>414,641,525.00</td>
<td>66,566,000.00</td>
<td>25,242,916.67</td>
<td>626,367,197.92</td>
</tr>
<tr>
<td>1978</td>
<td>117,105,487.50</td>
<td>405,069,887.50</td>
<td>66,565,200.00</td>
<td></td>
<td>588,740,575.00</td>
</tr>
<tr>
<td>1979</td>
<td>108,384,353.13</td>
<td>441,301,462.50</td>
<td>66,563,200.00</td>
<td></td>
<td>616,249,015.63</td>
</tr>
<tr>
<td>1980</td>
<td>179,603,521.87</td>
<td>473,426,718.74</td>
<td>66,557,200.00</td>
<td></td>
<td>719,587,440.61</td>
</tr>
<tr>
<td>1981</td>
<td>(21,735,018.75)</td>
<td>448,586,800.00</td>
<td>66,562,400.00</td>
<td></td>
<td>493,414,181.25</td>
</tr>
<tr>
<td>1982</td>
<td>(27,371,925.00)</td>
<td>425,395,575.00</td>
<td>66,557,600.00</td>
<td></td>
<td>464,581,250.00</td>
</tr>
<tr>
<td>1983</td>
<td>(17,866,960.00)</td>
<td>412,927,315.00</td>
<td>66,555,200.00</td>
<td></td>
<td>461,615,555.00</td>
</tr>
<tr>
<td>1984</td>
<td>(6,796,385.00)</td>
<td>366,128,330.00</td>
<td>66,560,000.00</td>
<td></td>
<td>425,891,945.00</td>
</tr>
<tr>
<td>1985</td>
<td>11,359,847.50</td>
<td>372,770,805.00</td>
<td>66,555,200.00</td>
<td></td>
<td>450,685,852.50</td>
</tr>
<tr>
<td>1986</td>
<td>(69,012,000.00)</td>
<td>293,774,177.50</td>
<td>66,456,000.00</td>
<td></td>
<td>291,218,177.50</td>
</tr>
<tr>
<td>1987</td>
<td>(118,408,275.00)</td>
<td>159,540,762.50</td>
<td></td>
<td></td>
<td>41,132,487.50</td>
</tr>
<tr>
<td>1988</td>
<td>(108,095,712.50)</td>
<td>108,095,712.50</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>1989</td>
<td>(62,582,100.00)</td>
<td>62,582,100.00</td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>1990</td>
<td>(59,588,640.00)</td>
<td>63,803,125.00</td>
<td></td>
<td></td>
<td>4,214,485.00</td>
</tr>
<tr>
<td>1991</td>
<td>—</td>
<td>63,253,450.00</td>
<td></td>
<td></td>
<td>63,253,450.00</td>
</tr>
<tr>
<td>1992</td>
<td>(1,809,525.00)</td>
<td>59,593,925.00</td>
<td></td>
<td></td>
<td>57,784,400.00</td>
</tr>
<tr>
<td>1993</td>
<td>(2,294,500.00)</td>
<td>58,652,650.00</td>
<td></td>
<td></td>
<td>56,358,150.00</td>
</tr>
<tr>
<td>1994</td>
<td>—</td>
<td>52,604,425.00</td>
<td></td>
<td></td>
<td>52,604,425.00</td>
</tr>
<tr>
<td>1995</td>
<td>(57,761,925.00)</td>
<td>22,333,200.00</td>
<td></td>
<td></td>
<td>(35,428,725.00)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$</strong></td>
<td><strong>$5,038,834,457.64</strong></td>
<td><strong>$699,811,104.44</strong></td>
<td><strong>$322,161,666.69</strong></td>
<td><strong>$6,060,807,228.77</strong></td>
</tr>
</tbody>
</table>

---

F-10
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NET CHANGE IN FIRST GENERAL BOND RESOLUTION DEBT SERVICE FUNDING REQUIREMENTS RESULTING FROM THE AMENDED AND RESTATE AGREEMENT

(Unaudited)

(Notes 2 and 3)

<table>
<thead>
<tr>
<th>Fiscal year ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Capital Reserve Fund contribution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>$91,285,000</td>
<td>$270,400,361.40</td>
<td></td>
<td>$361,685,361.40</td>
</tr>
<tr>
<td>1977</td>
<td>187,625,000</td>
<td>283,687,300.00</td>
<td>$116,564,325.00</td>
<td>587,876,625.00</td>
</tr>
<tr>
<td>1978</td>
<td>196,470,000</td>
<td>271,630,325.00</td>
<td>115,590,837.50</td>
<td>583,691,162.50</td>
</tr>
<tr>
<td>1979</td>
<td>201,555,000</td>
<td>258,808,050.00</td>
<td>112,145,875.00</td>
<td>572,508,925.00</td>
</tr>
<tr>
<td>1980</td>
<td>190,227,500</td>
<td>243,074,181.24</td>
<td>101,623,143.75</td>
<td>534,924,484.99</td>
</tr>
<tr>
<td>1981</td>
<td>172,605,000</td>
<td>225,370,075.00</td>
<td>(42,949,106.25)</td>
<td>355,025,968.75</td>
</tr>
<tr>
<td>1982</td>
<td>176,467,500</td>
<td>208,531,162.50</td>
<td>(26,838,912.50)</td>
<td>358,159,750.00</td>
</tr>
<tr>
<td>1983</td>
<td>205,075,000</td>
<td>190,731,487.50</td>
<td>18,257,831.25</td>
<td>414,064,318.75</td>
</tr>
<tr>
<td>1984</td>
<td>224,035,000</td>
<td>169,573,993.76</td>
<td></td>
<td>393,608,993.76</td>
</tr>
<tr>
<td>1985</td>
<td>247,545,000</td>
<td>146,394,687.50</td>
<td>(1,617,743.75)</td>
<td>392,321,943.75</td>
</tr>
<tr>
<td>1986</td>
<td>240,802,500</td>
<td>120,936,250.00</td>
<td></td>
<td>361,738,750.00</td>
</tr>
<tr>
<td>1987</td>
<td>206,892,500</td>
<td>96,655,775.00</td>
<td>(86,355,475.00)</td>
<td>217,192,800.00</td>
</tr>
<tr>
<td>1988</td>
<td>201,485,000</td>
<td>76,173,368.74</td>
<td>(26,227,406.25)</td>
<td>251,430,962.49</td>
</tr>
<tr>
<td>1989</td>
<td>209,900,000</td>
<td>56,033,662.50</td>
<td>(24,431,706.75)</td>
<td>241,501,955.75</td>
</tr>
<tr>
<td>1990</td>
<td>130,570,000</td>
<td>34,911,662.50</td>
<td></td>
<td>165,481,662.50</td>
</tr>
<tr>
<td>1991</td>
<td>41,677,500</td>
<td>21,575,950.00</td>
<td>(47,232,975.00)</td>
<td>16,020,475.00</td>
</tr>
<tr>
<td>1992</td>
<td>42,602,500</td>
<td>16,991,425.00</td>
<td>(59,593,925.00)</td>
<td>—</td>
</tr>
<tr>
<td>1993</td>
<td>46,347,500</td>
<td>12,305,150.00</td>
<td>(58,652,650.00)</td>
<td>—</td>
</tr>
<tr>
<td>1994</td>
<td>45,397,500</td>
<td>7,206,925.00</td>
<td>(32,520,187.00)</td>
<td>20,084,238.00</td>
</tr>
<tr>
<td>1995</td>
<td>20,120,000</td>
<td>2,213,200.00</td>
<td>(57,761,925.00)</td>
<td>(35,428,725.00)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,078,685,000</strong></td>
<td><strong>$2,713,204,992.64</strong></td>
<td>—</td>
<td><strong>$5,791,889,992.64</strong></td>
</tr>
</tbody>
</table>

F-11
EXHIBIT 3—(Continued)

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

NET CHANGE IN FIRST GENERAL BOND RESOLUTION DEBT SERVICE FUNDING
REQUIREMENTS RESULTING FROM THE AMENDED AND RESTATEd AGREEMENT
(Unaudited)

(Notes 2 and 3)

<table>
<thead>
<tr>
<th>Fiscal year ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Capital Reserve Fund contribution</th>
<th>Total</th>
<th>Net reduction (increase) in funding requirements(A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>$92,162,500</td>
<td>$242,190,011.40</td>
<td>$334,352,511.40</td>
<td>$27,332,850.00</td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>187,317,500</td>
<td>227,324,025.00</td>
<td>102,912,256.25</td>
<td>517,553,781.25</td>
<td>70,322,843.75</td>
</tr>
<tr>
<td>1978</td>
<td>189,467,500</td>
<td>215,602,387.50</td>
<td>100,043,937.50</td>
<td>505,113,825.00</td>
<td>78,577,337.50</td>
</tr>
<tr>
<td>1979</td>
<td>237,635,000</td>
<td>203,666,462.50</td>
<td>91,262,403.13</td>
<td>532,563,865.63</td>
<td>39,945,059.37</td>
</tr>
<tr>
<td>1980</td>
<td>286,525,000</td>
<td>186,901,718.74</td>
<td>179,328,121.87</td>
<td>652,754,840.61</td>
<td>(117,830,015.62)</td>
</tr>
<tr>
<td>1981</td>
<td>283,332,500</td>
<td>165,254,300.00</td>
<td>(21,887,418.75)</td>
<td>426,699,381.25</td>
<td>(71,673,412.50)</td>
</tr>
<tr>
<td>1982</td>
<td>281,541,000</td>
<td>143,854,575.00</td>
<td>(27,544,725.00)</td>
<td>397,850,850.00</td>
<td>(39,691,100.00)</td>
</tr>
<tr>
<td>1983</td>
<td>289,678,500</td>
<td>123,248,815.00</td>
<td>(18,043,760.00)</td>
<td>394,883,555.00</td>
<td>19,180,763.75</td>
</tr>
<tr>
<td>1984</td>
<td>263,482,500</td>
<td>102,645,830.00</td>
<td>(6,889,985.00)</td>
<td>359,238,345.00</td>
<td>34,370,648.76</td>
</tr>
<tr>
<td>1985</td>
<td>287,884,000</td>
<td>84,886,805.00</td>
<td>11,359,847.50</td>
<td>384,130,652.50</td>
<td>8,191,291.25</td>
</tr>
<tr>
<td>1986</td>
<td>228,571,500</td>
<td>65,202,677.50</td>
<td>—</td>
<td>293,774,177.50</td>
<td>67,964,572.50</td>
</tr>
<tr>
<td>1987</td>
<td>112,177,500</td>
<td>47,363,262.50</td>
<td>(118,408,275.00)</td>
<td>41,132,487.50</td>
<td>176,060,312.50</td>
</tr>
<tr>
<td>1988</td>
<td>71,550,000</td>
<td>36,545,712.50</td>
<td>(108,095,712.50)</td>
<td>—</td>
<td>251,430,962.49</td>
</tr>
<tr>
<td>1989</td>
<td>33,172,500</td>
<td>29,409,600.00</td>
<td>(62,582,100.00)</td>
<td>—</td>
<td>241,501,955.75</td>
</tr>
<tr>
<td>1990</td>
<td>38,042,500</td>
<td>25,760,625.00</td>
<td>(59,588,640.00)</td>
<td>4,214,485.00</td>
<td>161,267,177.50</td>
</tr>
<tr>
<td>1991</td>
<td>41,677,500</td>
<td>21,575,950.00</td>
<td>—</td>
<td>63,253,450.00</td>
<td>(47,232,975.00)</td>
</tr>
<tr>
<td>1992</td>
<td>42,602,500</td>
<td>16,991,425.00</td>
<td>(1,809,525.00)</td>
<td>57,784,400.00</td>
<td>(57,784,400.00)</td>
</tr>
<tr>
<td>1993</td>
<td>46,347,500</td>
<td>12,305,150.00</td>
<td>(2,294,500.00)</td>
<td>56,358,150.00</td>
<td>(56,358,150.00)</td>
</tr>
<tr>
<td>1994</td>
<td>45,397,500</td>
<td>7,206,925.00</td>
<td>—</td>
<td>52,604,425.00</td>
<td>(32,520,187.00)</td>
</tr>
<tr>
<td>1995</td>
<td>20,120,000</td>
<td>2,213,200.00</td>
<td>(57,761,925.00)</td>
<td>—</td>
<td>(35,428,725.00)</td>
</tr>
</tbody>
</table>

Total $3,078,685,000 $1,960,149,457.64 — $5,038,834,457.64 $753,055,535.00

(A) Based upon the extent to which certain parties to the Agreement elect to retain original maturity schedules with respect to certain series, the maximum aggregate reduction in funding requirements would be $753,055,535 and the minimum aggregate reduction would be $619,383,660.

F-12
thereof) are interchangeable as provided in the Resolutions. Coupon 1976 Series 5 Bonds are numbered 5-... and fully registered 1976 Series 5 Bonds are lettered and numbered 5R.... Coupon 1976 Series 5 Bonds and fully registered 1976 Series 5 Bonds are numbered consecutively from one upward.

The 1976 Series 5 Bonds are subject to redemption at the election of the Corporation as a whole or in part, at any time as provided in the Resolutions at 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Additionally, the 1976 Series 5 Bonds are subject to redemption, in part, by lot as provided in the Resolutions, on July 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 July 1 of each of the years shown below the principal amount of such 1976 Series 5 Bonds specified therefor:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>$</td>
</tr>
<tr>
<td>1983</td>
<td>$</td>
</tr>
<tr>
<td>1984</td>
<td>$</td>
</tr>
<tr>
<td>1985</td>
<td>$</td>
</tr>
<tr>
<td>1986</td>
<td>$</td>
</tr>
<tr>
<td>1987</td>
<td>$</td>
</tr>
<tr>
<td>1988</td>
<td>$</td>
</tr>
<tr>
<td>1989</td>
<td>$</td>
</tr>
<tr>
<td>1990</td>
<td>$</td>
</tr>
<tr>
<td>1991</td>
<td>$</td>
</tr>
</tbody>
</table>

Chapters 168, 169, 868 and 870 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, inserting of the Act in the Public Authorities Law, creating the Corporation as aforesaid, adding a new section 92-e to Article 6 of the State Finance Law, constituting Chapter 56 of such Consolidated Laws, establishing a municipal assistance aid fund (the “Aid Assistance Fund”) and a special account for the Corporation within the Aid Assistance Fund (the “Special Aid Account”), amending section 54 of the State Finance Law to provide for the apportionment and payment into the Special Aid Account of amounts of per capita aid appropriated by the Legislature of the State and otherwise payable out of the general fund of the State to The City thereunder subject to payments being made as follows: (i) any amounts required to be paid to the City University Construction Fund pursuant to the City University Construction Fund Act, Article 125-B of the Education Law, constituting Chapter 16 of such Consolidated Laws; (ii) any amounts required to be paid to the New York City Housing Development Corporation pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 41 of such Consolidated Laws; (iii) any amounts required to be paid by The City to the New York City Transit Authority pursuant to the provisions of chapter seven of the laws of the State of nineteen hundred seventy-two; (iv) any amounts required to be paid by The City to the State to repay an advance made in nineteen hundred seventy-four to subsidize the fare of the New York City Transit Authority; and (v) five hundred thousand dollars to the chief fiscal officer of The City for payment to the trustees of the police pension fund of such City pursuant to the provisions of paragraph e of subdivision 7 of such section 54 of the State Finance Law, suspending the power of 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 1976 Series 5 Bonds, and interest thereon have been fully paid and discharged, adding a new section 92-d to Article 6 of the State Finance Law establishing a municipal assistance tax fund (the “Tax Assistance Fund”) and a special account for the Corporation within the Tax Assistance Fund (the “Special Tax 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 Tax 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 1976 Series 5 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1976 Series 5 Bonds. Under the laws of the State, including the Constitution of the State, 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 Second General Bond Resolution and is authorized and permitted by the Second 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, 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, moneys, 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, moneys, securities and funds in the Bond Service Fund and the Capital Reserve Fund is and will be prior to all other liens thereon. All revenues, moneys and securities, as and when received, in the Bond 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 1976 Series 5 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 1976 Series 5 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 Second General Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the Second General Bond Resolution and of the Act.

4. Pursuant to the Act and the Second 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 Second General Bond Resolution. Subdivision 3 of Section 3036-a 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 Second 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 and of Section 3036-a of the Act, for deposit in the funds established by the Second General Bond Resolution at the time or times and in the manner provided therein, including the amounts required for deposit in the Bond Service Fund to pay all interest and all principal and redemption premium, if any, on 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 subdivisions provide for the State Comptroller to pay such amounts to the Corporation for deposit as aforesaid, the source of such payments being the Aid Assistance Fund into which is paid such per capita aid, subject to certain prior claims as described above, and, to the extent required, available and subject to the prior claim of the holders of obligations of the Corporation issued or to be issued pursuant to the First General Bond Resolution and the Outstanding Note Resolutions (both such terms as defined in the Second General Bond Resolution), 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 per capita aid payable to The City and available for apportionment and payment from the general fund of the State treasury and of such payments out of the Aid and Tax Assistance Funds 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.

6. The 1976 Series 5 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 1976 Series 5 Bonds be payable out of any funds other than those of the Corporation.

7. The State has the good right and lawful authority under and pursuant to the present provisions of the Constitution of the State:

(a) to at least annually appropriate out of the general fund of the State amounts for the purpose of per capita aid and to provide, with respect to certain amounts of such per capita aid payable to The City in accordance with the provisions of section 54 of the State Finance Law, for the apportionment and payment into the Special Aid Account, of 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 any, or maintain any level of, such appropriation of per capita aid or to continue such procedure for apportionment and payment of such aid;

(b) to the extent amounts referred to in 7(a) hereof are insufficient and subject to such prior claims referred to above, to provide for the appropriation of, and at least annually to appropriate to, the Corporation, from the Special Tax Account, and commencing with the fiscal year of the State commencing April 1, 1976 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;

(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 Enabling Legislation;

(d) 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;

(e) to establish the Aid Assistance Fund and the Special Aid Account within the Aid Assistance Fund, the Stock Transfer Tax Fund, the Tax Assistance Fund 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.

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 per capita aid referred to hereinbefore or Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Accounts for the Corporation in the Aid and Tax Assistance Funds. We are further of the opinion that, in any suit, action or other proceeding brought by the holder of any bonds or notes of The City of New York (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 Accounts superior or equal to the rights of holders of bonds issued under the Second General Bond Resolution, such holder will not prevail in the court of final jurisdiction.
9. Upon a failure of the Legislature of the State to make a timely appropriation for the payment of principal of or interest on bonds and notes of the State, including sinking fund payments, Article 7, Section 16 of the Constitution of the State, provides that the Comptroller of the State shall set apart from the first revenues thereafter received, applicable to the general fund of the State, a sum sufficient to pay such State obligations and shall so set aside and apply the moneys thus set apart. Moneys on deposit in the Stock Transfer Tax Fund and the Municipal Assistance Tax Fund, including the Special Tax Account therein (each such account or fund as presently constituted being a special fund of the State) and collections of the Sales Tax and Stock Transfer Tax, which, under existing law, are to be deposited into the Special Tax Account and the Stock Transfer Tax Fund, do not constitute revenues, under existing law, applicable to the general fund of the State within the meaning of said Article 7, Section 16 and hence, in the event of a failure of the Legislature of the State to make a timely appropriation for such payment of the State obligations, moneys on deposit in, and collections on account of, such special funds are not authorized or mandated to be set apart, set aside or applied by the Comptroller of the State for the payment of such State obligations. Per Capita aid is, under existing law derived from the general fund and hence, in the event of a failure to appropriate as above described, revenues of the State, otherwise payable into the general fund and therefore available for appropriation as per capita aid will be subject to being set apart, set aside, and so applied as aforesaid.

10. Under existing statutes and court decisions, interest on the 1976 Series 5 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 1976 Series 5 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1976 Series 5 Bonds, and the execution and delivery of the 1976 Series 5 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

13. Your attention should be called to a suit entitled Flushing National Bank, on behalf of itself and all other holders of notes of The City of New York maturing on or before June 30, 1976, plaintiff, against The City of New York; State of New York; and Harrison J. Goldin, Comptroller of the City of New York, defendants, filed on November 17, 1975 in the Supreme Court of The State of New York, County of New York, wherein the plaintiff, demands, among other things, judgment declaring and adjudicating that the New York State Emergency Moratorium Act of the City of New York, enacted by the Legislature and signed by the Governor of the State on November 15, 1975, is unconstitutional, alleging, among other things, violations of the New York State Constitution and United States Constitution.

Said Moratorium Act, among other things, and subject to two conditions, provides that during the moratorium period therein defined, and notwithstanding any inconsistent provisions of any law, general, special or local or of any agreement or short-term obligation of The City that although the payment of such short-term obligation may be due by the terms thereof or the terms of any general or special or local law or agreement, no action or special proceeding shall be commenced or continued in any court in any jurisdiction (a) upon any such short-term obligation, or the indebtedness or liability evidenced thereby, or (b) seeking the levy of taxes or application of any funds, property, receivables or revenues of The City on account of any such short-term obligation or the indebtedness evidenced hereby.

In the event that the constitutionality of said Moratorium Act is sustained by a court of final jurisdiction, such judicial determination could support the constitutionality of similar legislative enactments which may adversely affect certain terms and conditions of the Bonds and the Resolutions, including the payment of principal and interest thereon, and the enforceability thereof.

We have examined the form of the 1976 Series 5 Bond numbered 5R-1 and, in our opinion, the form of said Bond is regular and proper.

Very truly yours,
GENERAL CERTIFICATE OF THE
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

I, JAMES R. KEEGAN, Secretary 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 (the "Act"), HEREBY CERTIFY as follows:

1. That I am the duly appointed and qualified Secretary of the Corporation, acting as such, and in such capacity I am familiar with its organization, membership and activities.

2. The members of the Board of Directors of the Corporation (the "Board"), the date of their terms' expiration, and their Corporation offices are as follows:

<table>
<thead>
<tr>
<th>Names</th>
<th>Date of Expiration of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix G. Rohatyn, Chairman</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Donna E. Shalala, Treasurer</td>
<td>December 31, 1978</td>
</tr>
<tr>
<td>Francis J. Barry</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>John A. Coleman</td>
<td>December 31, 1976</td>
</tr>
<tr>
<td>Thomas D. Flynn</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>George D. Gould</td>
<td>December 31, 1978</td>
</tr>
<tr>
<td>Dick Netzer</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Robert C. Weaver</td>
<td>December 31, 1976</td>
</tr>
<tr>
<td>George M. Brooker</td>
<td>December 31, 1977</td>
</tr>
</tbody>
</table>
3. Each of the said persons named in paragraph 2 is the duly elected or appointed, designated, qualified and acting Director or officer of the Corporation holding the position indicated above.

4. The firm of Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York, was appointed General Counsel to the Corporation on June 10, 1975.

5. The seal of the Corporation, an impression of which appears below, was duly adopted by the Corporation as its official seal, and is the legally adopted, proper and only official seal of the Corporation.

6. The By-Laws of the Corporation adopted June 10, 1975 are in full force and effect on the date hereof and have not been repealed, modified or amended.

7. All litigation of any nature now pending restraining or enjoining the issuance, sale, execution or delivery of the 1976 Series 5 Bonds (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 or sale thereof, the pledge or application of any revenues, moneys or securities provided for the payment of the Bonds, the existence or powers of the Corporation, or the exchange of such Bonds as contemplated by the Resolutions, as hereinafter defined, is set forth in the Exchange Offer Official Statement of the Corporation, dated May 21, 1976 (the "Exchange Offer Official Statement") copies of which are being delivered contemporaneously herewith.
8. The Second General Bond Resolution of the Corporation adopted November 25, 1975, and the 1976 Series 5 Resolution of the Corporation adopted May 18, 1976 (the "Resolutions"), attached to this Record of Proceedings as document No. 4, copies of each of which are being delivered contemporaneously herewith to the Trustee named in such Resolutions, which I hereby certify pursuant to Section 202 of the Second General Bond Resolution are true and correct copies of the duly adopted originals thereof in their entireties on file and of record in the principal office of the Corporation and that the same are in full force and effect on the date hereof and have not been repealed, modified or amended.

9. The Extract of Minutes of a Meeting of the Corporation held May 18, 1976 attached to this Record of Proceedings as document No. 3, is a true and correct copy of the duly adopted original thereof on file and of record in the principal office of the Corporation and that the same are in full force on the date hereof and have not been repealed, modified or amended.

10. The certificate of approval of the Comptroller of the State as to the terms of sale required pursuant to Section 3012 and as to the system of accounts required pursuant to Section 3013 of the Act attached to this Record of Proceedings as document No. 5, is a true and correct copy of the original thereof in its entirety on file and on record in the principal office of the Corporation and that the same is in full force on the date hereof and has not been repealed, modified or amended.
11. The specimen of the 1976 Series 5 Bonds, attached hereto as Exhibit A, is identical in all respects, except as to number, denomination and name of registered owner with the Bonds this day delivered to the Exchange Agent referred to in the Exchange Offer Official Statement and said specimen is substantially in the form required by the Resolutions.

12. The specimen of each of the Acknowledgments of Interest (the "Acknowledgments"), attached to this Record of Proceedings as document number 20, are identical in all respects except as to number, certain amounts and name of Interest Owner with the Acknowledgments delivered to the Exchange Agent referred to in the Exchange Offer Official Statement.

13. The Extract of Minutes referred to in paragraph 9 hereinbefore records therein the determination of the Corporation required pursuant to Section 3035 of the Act.

I, FELIX ROHATYN, Chairman of the Corporation HEREBY CERTIFY as follows:

1. The Acknowledgments delivered to the Exchange Agent, specimens of which are attached to this Record of Proceedings as document number 20, have been duly and completely executed in the name of the Corporation and on its behalf by the affixing thereon of the facsimile signature of Felix Rohatyn, Chairman of the Corporation, who did and does hereby adopt such signature.

We, FELIX ROHATYN and JAMES R. KEEGAN, Chairman and Secretary of the Corporation, HEREBY CERTIFY as follows:

1. The Bonds delivered to the Exchange Agent on this
date, a specimen of which is attached hereto, have been duly and
completely executed in the name of the Corporation and on its be-
half by the affixing thereon of the facsimile signature of Felix
Rohatyn, Chairman of the Corporation, who did, and does hereby adopt
such signature and the affixing thereon of the official seal of the
Corporation attested by the facsimile signature of James R. Keegan,
Secretary of the Corporation, who did and does hereby adopt such
signature.

2. At the time of the signing and execution of the Bonds
and on the date hereof we were and are the duly chosen, qualified
and acting officers of the Corporation authorized to execute the
Bonds, and held and now hold the respective offices indicated by
the official titles set opposite our signatures below.

3. The seal, an impression of which appears below, has
been imprinted on the Bonds and it is the legally adopted, proper
and only official corporate seal of the Corporation.

4. The Corporation is not in default in the performance
of any of the covenants, conditions, agreements or provisions con-
tained in the Series 5 Resolution or the General Bond Resolution
of the Corporation adopted on July 2, 1975.

IN WITNESS WHEREOF, we have hereunto set our hands and
the seal of the Corporation this 30th day of June, 1976.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Official Title</th>
<th>Term of Office Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Felix Rohatyn</td>
<td>Chairman</td>
<td>Indefinite</td>
</tr>
<tr>
<td>(SEAL)</td>
<td>Secretary</td>
<td>Indefinite</td>
</tr>
</tbody>
</table>
I HEREBY CERTIFY that the signatures of the officers of The Municipal Assistance Corporation For The City of New York, which appear above are true and genuine and that I know said officers and know them to hold said offices set opposite their signatures.

Signature

Title

Name of Bank

Vice President

United States Trust Company of New York
Second General Bond Resolution, with such consent of the holders of at least two-thirds in principal amount of the Outstanding Bonds affected thereby; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified series or 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 purposes of the aforesaid provisions of the Second General Bond Resolution.

This Bond is transferable as provided in the Resolutions, only upon the books of the Corporation kept for this purpose in the City of New York, at the registered holder thereof in person or by his attorney duly authorized in writing upon surrender hereof together with such instrument of transfer as the Corporation shall from time to time require. The Corporation, its officers, agents and attorneys shall make no endorsement on this Bond in any case and no registration of transfers or assignments shall be required by the Corporation in any case.

The Bond is an income bond and is exempt from federal income tax.

The 1976 Series 5 Bonds are taxable in the form of registered Bonds without coupons in the denomination of $1,000, or an integral multiple of $1,000, not exceeding the aggregate principal amount of the 1976 Series 5 Bonds, when the aggregate principal amount thereof is $5,000 or an integral multiple of $5,000, upon surrender thereof at the corporate trust office of the Trustee, duly executed by the registered owner or by his attorney duly authorized in writing upon surrender thereof.

The 1976 Series 5 Bonds are subject to redemption, in part or in whole, at the option of the Corporation as hereinbefore provided, at the Redemption Price of one hundred percent (100%) of the principal amount thereof plus accrued and unpaid interest to the redemption date. In the event of such redemption, the record date for such principal amount so redeemed shall be the next legal or regular business day after the date of such notice of redemption and the Bonds so redeemed shall not be called for redemption again before the maturities of such Bonds so redeemed.

The 1976 Series 5 Bonds are subject to redemption, in whole or in part, at the option of the Corporation, at the Redemption Price of one hundred percent (100%) of the principal amount thereof plus accrued and unpaid interest to the redemption date. In the event of such redemption, the record date for such principal amount so redeemed shall be the next legal or regular business day after the date of such notice of redemption and the Bonds so redeemed shall not be called for redemption again before the maturities of such Bonds so redeemed.
OFFICIAL STATEMENT

At Mr. Gould's request, Mr. Thomas began a review of the Official Statement proof dated May 18, 1976. Mr. Thomas pointed out that the format of the Official Statement dated March 26, 1975 used in connection with the First Exchange Offer of the Corporation had been used as a starting point with the necessary amendments made to reflect the changes which have occurred since that time. He explained that the Official Statement to be used for the Second Exchange Offer includes a section on the State of New York which contains material from the recent bond offer Official Statement of the State of New York and includes a section on the recent developments affecting the City that expands substantially the parallel section from the November Official Statement and contains a detailed analysis of the three-year financial plan.

Mr. Thomas pointed out that the Official Statement reflects the decision made at a prior Board meeting that the offer would be for $500 million, reserving the right, but not obligating the Corporation to take more than that amount. If more than $500,000,000 principal amount of City notes was tendered and if the Board determined that it would not take the full amount tendered, every note that was submitted would be individually pro-rated rounding to the nearest thousand dollars.
(At this point, Mr. Rohatyn arrived at the meeting and assumed the Chair.)

In response to questions from Messrs. Weill and Klein concerning the possibility of making the offer on a "first-come, first-served" basis rather than a pro-rata basis, Mr. Thomas stated that "first-come, first-served" would put a premium on reading quickly the Official Statement, which requires time to read and digest, and would give a substantial advantage to the institutional holders. Messrs. Rohatyn and Gould concurred with Mr. Thomas and Mr. Gould pointed out that "first-come, first-served" not only gave an advantage to the sophisticated investor but also gave an advantage to local investors.

Messrs. Thomas and Robinson stated that various proration possibilities had been considered, all of which may have an adverse impact in the after market on the prorated notes, and that the method described in the proof of May 18 of the Official Statement was considered the best alternative.

In response to a question from Mr. Rohatyn, Mr. Gould said that because the price of City notes jumped substantially when the exchange was announced, he assumed that some arbitraging was occurring but that unlike many tender offers he did not think that the arbitrage market was important to the Corporation for the success of this Exchange Offer.
Mr. Thomas pointed out that the interest cut-off date for the notes had been changed for certain tax reasons. The bonds would begin to accrue interest from the date of the expiration of the exchange, and the City notes would stop accruing interest for the tendering noteholders on that date. Actual payment of interest to the tendering noteholders on the City notes would be made on the anniversary of the maturity date of the City notes.

Mr. Thomas stated that at page 11 a section on the recently enacted Federal Bankruptcy legislation had been added. He pointed out that on page 12 a statement was made that the Corporation believes that the filing of a Chapter IX petition by the City would not have a material adverse affect on the available revenues of the Corporation and thus, would not affect the ability of the Corporation to pay its obligations, including the Series 5 Bonds.

He pointed out the changes made in the section entitled "Rights of Noteholders," including the addition of a paragraph indicating that the Corporation would consider proposals for payment of a limited amount of outstanding City notes held by persons who could demonstrate financial hardship, which he believed was necessary in view of the May 13, 1976 article in the New York Times.
Mr. Thomas next dealt with the section beginning on page 15, entitled "Certain Developments Affecting the State," which was culled from a similar disclosure section in the State bond prospectus.

In response to a question by Mr. Thomas concerning the projected revenue increase assumed in the State budget, Mr. Juhre stated that the projected increase was based on inflation and the projected yield in the tax structure exclusive of nonrecurring items that are attributed to this year's income; and that there has been no material change in the projections. Mr. Juhre also stated that the "Conklin bill," requiring the payment of interest on postponed income tax refunds, would not have a significant impact on the State budget.

Mr. Juhre suggested that the Official Statement be updated to reflect the fact that the State's May note sale has been consummated; and that the $20 million advance to the City of Buffalo should be checked against the State's April 15th Official Statement to see how the repayment was handled. In response to a question by Mr. Robinson, Mr. Juhre stated that except for the specific items that he had previously mentioned, the Corporation could rely on information contained in the State prospectus.
Mr. Thomas next discussed the section entitled "Certain Developments Affecting the City," beginning on page 19. He stated that the section represented a substantial expansion upon the discussion of the three-year financial plan that was in the prior prospectus. Mr. Thomas pointed out that the italicized second paragraph states that neither the existing financial plan nor its proposed revisions makes any provision for payment of City notes at the end of the emergency period and that the third paragraph contains a general caveat concerning the City's accounting system, which was taken directly from a report by the City to the Treasury Department.

In response to questions from Mr. Thomas, Mr. Clifford confirmed that $100 million contingency included in the proposed modification to the Financial Plan is a general contingency and Mr. Giddings stated that the $1.062 billion in aggregate cuts was taken from the March 26, 1976 City program to close the budget gap.

In response to questions by Mr. Robinson and Mr. Thomas, Mr. Kiernan stated that the $16 million in savings from the purchase
of power from P.A.S.N.Y. did not represent the top of the estimate range; and that there was no further official information available on the real estate tax equalization rate for FY 1977 but that it might be one point higher; which would reduce collections by approximately $16 million.

Mr. Thomas then asked Mr. Schwartz to comment on the validity of the growth rate assumptions taken from the City's February 17, 1975 submission to the Comptroller. Mr. Schwartz replied that his latest report on revenue estimates was dated February 13, 1975 and was already summarized in the section entitled "Certain Reports" which appears at page 25.

Mr. Rohatyn directed that Dr. Shalala and Messrs. Thomas and Giddings would meet with representatives of Mr. Schwartz's office to determine if any amendments were required as a result of the findings in the report on federal and state aid receivables and the analysis of expenditures for FY 1977 which Mr. Schwartz's staff were in the process of completing.

Mr. Kiernan pointed out that a revised draft of the City Official Statement would be available the following day and to the extent that it contains new information, certain revisions may be in order, such as the effect of the Stavisky bill. Mr. Kiernan stated that on federal revenue sharing, the Corporation's statement was accurate, and federal revenue sharing would probably be the same this year with the possibility of a slight decrease due to population changes; that concerning the statement made on page 22 with reference to the decision of Secretary Hills of HUD, did not preclude receipt
of the entire amount sought by the City through housing subsidies, but only addressed one aspect of a four-pronged program; and that concerning transit, the situation is slightly worse than stated at page 23 since in FY 1977 and in FY 1979, $125 million and $62.5 million of the respective scheduled amounts would probably not be available.

Mr. Kresky stated that in addition to making changes required because of amendments to the City prospectus that the Control Board's wage policy should be included. Mr. Rohatyn agreed saying that reference should also be made to the recent statements of Treasury Department officials.

Following the discussions of the section on "Pension Contributions," Mr. Thomas pointed out that sections had been added to treat the Federal Credit Agreement and the sale of The Mitchell-Lama mortgages.

Mr. Robinson stated that the section on market considerations had been modified to cover the impact of the State's financial condition on the City notes.

In response to questions by Messrs. Koehane and Robinson to the City officials present concerning the accuracy of the disclosures made about the City, Mr. Kiernan said that there were no material omissions but that the second paragraph on page 23 on the potential impact of the proposed federal budget should now be deleted since the City would not lose the $163 million that was previously considered in jeopardy.
A discussion then followed as to whether the unaudited financials of the Corporation should be included in the Official Statement. Mr. Robinson said that he was opposed to their inclusion because the financial condition of the Corporation was not an important factor in the Offer for an informed investor to have in order to make an investment decision in that the Corporation, in essence, was selling a pledge of revenue and not its net worth. Mr. Robinson stated that since both S 2969, a municipal disclosure bill introduced by Senator Williams, and the proposed guidelines of the Municipal Finance Officers Association, specify certified financials in connection with offering statements, it would be inappropriate for the Corporation to use unaudited financials at this time.

Mr. Thomas said that he thought the unaudited Financials could be included in the Official Statement provided the accountants could complete an audit prior to the end of the revocability period. Then, the audited financials could be compared to the unaudited financials and a sticker issued if there were any significant adjustments. Mr. Robinson said that Mr. Thomas' suggestion put an undue emphasis on the financial condition of the Corporation, which is not important for the purposes of informed investment decision.

Mr. Gould pointed out that according to Mr. Cadematori, although the numbers are subject to confirmation, they are not likely to be very far off the mark and their release will not result in embarrassment to the Corporation.
Following further discussion, the Board decided that the financials should be included and an audit conducted on an expedited basis.

RESTRUCTURING

[omitted]

RESOLUTIONS

Mr. Keohane then explained the terms of certain resolutions required in connection with the restructuring and the terms of the Series 5 resolution. Mr. Thomas explained the terms of certain resolutions required in connection with the Exchange Offer. Following discussion the following resolutions were upon motion duly made and seconded, unanimously adopted:

RESOLVED, that the 1976 Series 5 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, is hereby adopted; and

FURTHER RESOLVED, that the Official Statement for the Exchange Offer substantially in the form before the Meeting, but with the modifications previously approved at the meeting is hereby adopted; and

FURTHER RESOLVED, that a Committee consisting of Dr. Shalala and Messrs. Rohatyn and Gould, may by unanimous decision make such non-substantive changes to the Official Statement as in their discretion may be required; and

FURTHER RESOLVED, that it is determined that the terms of the Exchange Offer will not prejudice the rights of holders of other bonds and notes of the City; and
FURTHER RESOLVED, that the agreement with United States Trust Company of New York to serve as Exchange Agent in connection with the Exchange Offer is adopted in the form before the Meeting; and

FURTHER RESOLVED, that (i) the agreements with the Chase Manhattan Bank, N.A., Citibank, N.A. and Morgan Guaranty Trust Company of New York pertaining to their services as Forwarding Agents in connection with the Exchange Offer and (ii) the agreement with Chase Manhattan Bank, Citibank, N.A., Morgan Guaranty Trust Company, Merrill Lynch, Pierce Fenner & Smith, Kidder Peabody & Co. and Salomon Brothers to distribute Exchange Offer materials and (iii) the form of Acknowledgement of Interest Right are adopted in the form before the Meeting; and

FURTHER RESOLVED, that the form of Letter of Transmittal to be used in connection with the Exchange Offer is hereby approved; and

FURTHER RESOLVED, that the Supplemental Resolution of The Municipal Assistance Corporation For the City of New York regarding amendments to the 1975 Series A Resolution and the 1975 Series B Resolution of such Corporation, in the form as presented to the Meeting, is hereby adopted; and

FURTHER RESOLVED, that the Supplemental Resolution of The Municipal Assistance Corporation For the City of New York supplemental to and amendatory of the General Bond Resolution of such Corporation, in the form as presented to the Meeting, is hereby adopted.

The Chairman directed that copies of the Series and Supplemental Resolutions be attached to these Minutes.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

SECOND GENERAL BOND RESOLUTION

Adopted November 25, 1975
MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK  
SECOND GENERAL BOND RESOLUTION  

TABLE OF CONTENTS*

<table>
<thead>
<tr>
<th>ARTICLE I</th>
<th>DEFINITIONS AND STATUTORY AUTHORITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 101. Definitions</td>
<td>1</td>
</tr>
<tr>
<td>Section 102. Authority for this Resolution</td>
<td>5</td>
</tr>
<tr>
<td>Section 103. Resolution to Constitute Contract</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE II</th>
<th>AUTHORIZATION AND ISSUANCE OF BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 201. Authorization of Bonds</td>
<td>6</td>
</tr>
<tr>
<td>Section 202. Provision for Issuance of Bonds</td>
<td>6</td>
</tr>
<tr>
<td>Section 203. Provisions for Refunding Bonds</td>
<td>10</td>
</tr>
<tr>
<td>Section 204. Additional Obligations</td>
<td>12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE III</th>
<th>GENERAL TERMS AND PROVISIONS OF BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 301. Medium of Payment; Form and Date</td>
<td>12</td>
</tr>
<tr>
<td>Section 302. Legends</td>
<td>13</td>
</tr>
<tr>
<td>Section 303. Execution and Authentication</td>
<td>13</td>
</tr>
<tr>
<td>Section 304. Interchangeability of Bonds</td>
<td>15</td>
</tr>
<tr>
<td>Section 305. Negotiability, Transfer and Registry</td>
<td>15</td>
</tr>
<tr>
<td>Section 306. Transfer and Registration of Coupon Bonds</td>
<td>15</td>
</tr>
<tr>
<td>Section 307. Transfer of Registered Bonds</td>
<td>17</td>
</tr>
<tr>
<td>Section 308. Regulations with Respect to Exchanges and Transfers</td>
<td>17</td>
</tr>
<tr>
<td>Section 309. Bonds Mutilated, Destroyed, Stolen or Lost</td>
<td>18</td>
</tr>
<tr>
<td>Section 310. Preparation of Definitive Bonds; Temporary Bonds</td>
<td>18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARTICLE IV</th>
<th>REDEMPTION OF BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 401. Privilege of Redemption and Redemption Price</td>
<td>19</td>
</tr>
<tr>
<td>Section 402. Redemption at the Election or Direction of the Corporation</td>
<td>20</td>
</tr>
<tr>
<td>Section 403. Redemption Other Than at Corporation's Election or Direction</td>
<td>20</td>
</tr>
<tr>
<td>Section 404. Selection of Bonds to Be Redeemed by Lot</td>
<td>20</td>
</tr>
<tr>
<td>Section 405. Notice of Redemption</td>
<td>21</td>
</tr>
<tr>
<td>Section 406. Payment of Redeemed Bonds</td>
<td>22</td>
</tr>
</tbody>
</table>

*This Table of Contents was not part of the Resolution as adopted.
## ARTICLE V
CUSTODY AND APPLICATION OF CERTAIN PROCEEDS OF BONDS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>501.</td>
<td>Application of Certain Proceeds</td>
<td>23</td>
</tr>
</tbody>
</table>

## ARTICLE VI
ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>601.</td>
<td>The Pledge Effected by the Resolution</td>
<td>24</td>
</tr>
<tr>
<td>602.</td>
<td>Establishment of Funds</td>
<td>24</td>
</tr>
<tr>
<td>603.</td>
<td>Application of Payments</td>
<td>24</td>
</tr>
<tr>
<td>604.</td>
<td>Operating Fund</td>
<td>25</td>
</tr>
<tr>
<td>605.</td>
<td>Bond Service Fund</td>
<td>25</td>
</tr>
<tr>
<td>606.</td>
<td>Capital Reserve Fund</td>
<td>26</td>
</tr>
<tr>
<td>607.</td>
<td>Certificate to the State Comptroller and to the Mayor of the</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>City of New York</td>
<td></td>
</tr>
</tbody>
</table>

## ARTICLE VII
SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>701.</td>
<td>Security for Deposits</td>
<td>28</td>
</tr>
<tr>
<td>702.</td>
<td>Investment of Funds and Accounts Held by the Trustee</td>
<td>29</td>
</tr>
<tr>
<td>703.</td>
<td>Liability of Trustee for Investments</td>
<td>31</td>
</tr>
</tbody>
</table>

## ARTICLE VIII
THE TRUSTEE AND THE PAYING AGENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>801.</td>
<td>Appointment and Acceptance of Duties of Trustee</td>
<td>31</td>
</tr>
<tr>
<td>802.</td>
<td>Appointment and Acceptance of Duties of Paying Agents</td>
<td>32</td>
</tr>
<tr>
<td>803.</td>
<td>Responsibilities of Trustee and Paying Agents</td>
<td>32</td>
</tr>
<tr>
<td>804.</td>
<td>Evidence on Which Fiduciaries May Act</td>
<td>33</td>
</tr>
<tr>
<td>805.</td>
<td>Compensation</td>
<td>34</td>
</tr>
<tr>
<td>806.</td>
<td>Permitted Acts and Functions</td>
<td>34</td>
</tr>
<tr>
<td>807.</td>
<td>Resignation of Trustee</td>
<td>34</td>
</tr>
<tr>
<td>808.</td>
<td>Removal of Trustee</td>
<td>34</td>
</tr>
<tr>
<td>809.</td>
<td>Appointment of Successor Trustee</td>
<td>35</td>
</tr>
<tr>
<td>810.</td>
<td>Transfer of Rights and Property to Successor Trustee</td>
<td>35</td>
</tr>
<tr>
<td>811.</td>
<td>Merger, Conversion or Consolidation</td>
<td>36</td>
</tr>
<tr>
<td>812.</td>
<td>Resignation or Removal of the Paying Agents and Appointment of</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Successors</td>
<td></td>
</tr>
<tr>
<td>SECTION</td>
<td>TITLE</td>
<td>PAGE</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
<td>------</td>
</tr>
<tr>
<td>901.</td>
<td>Payment of Bonds</td>
<td>37</td>
</tr>
<tr>
<td>902.</td>
<td>Extension of Payment of Bonds and Coupons</td>
<td>37</td>
</tr>
<tr>
<td>903.</td>
<td>Offices for Payment and Registration of Bonds and Coupons</td>
<td>38</td>
</tr>
<tr>
<td>904.</td>
<td>Further Assurances</td>
<td>38</td>
</tr>
<tr>
<td>905.</td>
<td>Power to Issue Bonds and Make Pledges</td>
<td>39</td>
</tr>
<tr>
<td>906.</td>
<td>Agreement of the State</td>
<td>39</td>
</tr>
<tr>
<td>907.</td>
<td>Creation of Liens</td>
<td>39</td>
</tr>
<tr>
<td>908.</td>
<td>Accounts and Reports</td>
<td>40</td>
</tr>
<tr>
<td>909.</td>
<td>General</td>
<td>40</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECTION</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1001.</td>
<td>Modification and Amendment Without Consent</td>
<td>42</td>
</tr>
<tr>
<td>1002.</td>
<td>Supplemental Resolutions Effective With Consent of Bondholders</td>
<td>43</td>
</tr>
<tr>
<td>1003.</td>
<td>General Provisions Relating to Series Resolutions and Supplemental Resolutions</td>
<td>43</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECTION</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1101.</td>
<td>Powers of Amendment</td>
<td>44</td>
</tr>
<tr>
<td>1102.</td>
<td>Consent of Bondholders</td>
<td>45</td>
</tr>
<tr>
<td>1103.</td>
<td>Modifications by Unanimous Consent</td>
<td>47</td>
</tr>
<tr>
<td>1104.</td>
<td>Mailing and Publication</td>
<td>47</td>
</tr>
<tr>
<td>1105.</td>
<td>Exclusion of Bonds</td>
<td>48</td>
</tr>
<tr>
<td>1106.</td>
<td>Notation on Bonds</td>
<td>48</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECTION</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1201.</td>
<td>Trustee to Exercise Powers of Statutory Trustee</td>
<td>48</td>
</tr>
<tr>
<td>1202.</td>
<td>Events of Default</td>
<td>48</td>
</tr>
<tr>
<td>1203.</td>
<td>Remedies</td>
<td>50</td>
</tr>
</tbody>
</table>
SECTION 1204. Priority of Payments After Default ......................... 51
SECTION 1205. Termination of Proceedings ................................. 53
SECTION 1206. Bondholders' Direction of Proceedings ....................... 53
SECTION 1207. Limitation on Rights of Bondholders ......................... 53
SECTION 1208. Possession of Bonds by Trustee Not Required ............... 55
SECTION 1209. Remedies Not Exclusive .................................... 55
SECTION 1210. No Waiver of Default .................................... 55
SECTION 1211. Notice of Event of Default .................................. 55

ARTICLE XIII
EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOFS OF OWNERSHIP OF BONDS

SECTION 1301. Evidence of Signatures of Bondholders and Ownership of Bonds ................................................. 56

ARTICLE XIV
DEFEASANCE

SECTION 1401. Defeasance .................................................. 57

ARTICLE XV
MISCELLANEOUS

SECTION 1501. Preservation and Inspection of Documents ................. 60
SECTION 1502. Parties of Interest ....................................... 60
SECTION 1503. No Recourse Under Resolution or on Bonds ............... 60
SECTION 1504. Severability ............................................... 60
SECTION 1505. Headings .................................................. 61
SECTION 1506. Conflict .................................................. 61
SECTION 1507. Effective Date ............................................ 61
SECOND GENERAL BOND RESOLUTION

Be It Resolved by the Board of Directors of the Municipal Assistance Corporation For The City of New York as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

101. Definitions. The following terms shall, for all purposes of this Resolution, except as otherwise defined, have the following meanings:

"Act" shall mean the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, and as further amended by Chapters 868 and 870 of the Laws of 1975, said Acts being Titles I, II and III of Article 10 of the Public Authorities Law, both as amended to the date of adoption of this Second General Bond Resolution.

"Authorized Newspaper" shall mean a newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York.

"Authorized Officer" shall mean any member of the Corporation, its Treasurer, Secretary, any Assistant Secretary, its Executive Director, and any other person authorized by resolution of the Corporation to perform the act or sign the document in question.

"Board" shall mean the Board of Directors of the Corporation, the members of which are appointed and qualified pursuant to the Act.

"Bond" or "Bonds" shall mean any Bond or the issue of Bonds, as the case may be, established and created by this Resolution and issued pursuant to a Series Resolution.

"Bond Service Fund" means the fund by that name established by Section 602.

"Bondholders" or "Holder of Bonds" or "Holder" (when used with reference to Bonds) or any similar term, shall mean any person or party who shall be the bearer of any Outstanding Bond or Bonds
registered to bearer or not registered or the registered owner of any Outstanding Bond or Bonds which shall at the time be registered other than to bearer and "Holder" (when used with reference to coupons) shall mean any person who shall be the bearer of such coupons.

"Capital Reserve Fund" means the fund by that name established by Section 602.

"Capital Reserve Fund Requirement" shall mean, as of any date of calculation, the amount referred to as the capital reserve fund requirement in subdivision 4 of Section 3036-a of the Act, including, as provided in Section 901 hereof, 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.

"Chairman" shall mean the Chairman of the Board of the Corporation.

"City" shall mean The City of New York.

"Corporation" shall mean the 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 created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of the Corporation.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Corporation (who may be counsel to the Corporation); provided, however, that for the purposes of Article II of this Resolution such term shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds (who may be counsel to the Corporation) selected by the Corporation.

"Fiduciary" or "Fiduciaries" shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

"First General Bond Resolution" shall mean the General Bond Resolution adopted by the Corporation on July 2, 1975 as heretofore and hereafter supplemented in accordance with the terms thereof.

"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.
"Governor" shall mean the Governor of the State.

"Mayor" shall mean the Mayor of the City.

"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 consultant's 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 this Resolution or the First General Bond Resolution or otherwise.

"Operating Fund" shall mean the fund by that name established by Section 602 of the First General Bond Resolution.

"Outstanding," when used with reference to Bonds, other than Bonds referred to in Section 1105 hereof, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of this Resolution, except: (i) any Bonds cancelled by the Trustee at or prior to such date, (ii) any Bonds for the payment or redemption of which monies equal to the principal amount or Redemption 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 to be redeemed, notice of such redemption shall have been given as in Article IV 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, and (iv) Bonds deemed to have been paid as provided in subsection 2 of Section 1401.

"Outstanding Note Resolutions" shall mean the note resolutions adopted by the Corporation on September 15, 1975 and November 17, 1975.

"Outstanding Notes" means the notes issued by the Corporation pursuant to the Outstanding Note Resolutions.

"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 this Resolution and a Series Resolution or any other resolution of the Corporation adopted prior to authentication and
delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

"Per Capita Aid" shall mean the amounts of per capita aid payable to the City pursuant to Section 54 of the State Finance Law as the same may be amended from time to time.

"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 this 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.

"Resolution" shall mean this Second General Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions hereof. The Resolution is sometimes referred to hereinafter as "this Resolution" or "the Resolution".

"Revenues" shall mean all payments to the Corporation pursuant to Sections 3036 and 3036-a 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 hereof adopted by the Corporation in accordance with Article X.

"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 July 1 for the retirement of any Outstanding Bonds of said Series which mature after said future July 1, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond, and said future
July 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.

"Special Aid Account" shall mean the special account created for the Corporation in the State Aid Fund.

"State" shall mean the State of New York.

"State Aid Fund" shall mean the Municipal Assistance State Aid Fund established pursuant to Section 92-e of the State Finance Law.

"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 this Resolution, adopted by the Corporation in accordance with Article X.

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

"Trustee" shall mean the bank or trust company appointed pursuant to Section 801 to act as trustee hereunder, and its successor or successors and any other bank or trust company at any time substituted in its place pursuant to this Resolution.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this Resolution, refer to this Resolution.

102. Authority for this Resolution. This Second General Bond Resolution is adopted pursuant to the provisions of the Act.

103. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be
issued hereunder by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Corporation and the Holders from time to time of the Bonds and coupons; and the pledge made in the Resolution and the covenants and agreements herein set forth to be performed on behalf of the Corporation shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and coupons, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or coupons over any other thereof except as expressly provided in or permitted by this Resolution.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

201. Authorization of Bonds. There is hereby established and created an issue of Bonds of the Corporation to be known and designated as “Bonds,” which Bonds may be issued as hereinafter provided without limitation as to amount except as provided in this Resolution or as may be limited by law. There is hereby created by this Resolution, in the manner and to the extent provided herein, a continuing pledge and lien to secure the full and final payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all of the Bonds issued pursuant to this Resolution. The Bonds shall be general obligations of the Corporation and are secured by the pledge effected pursuant to Section 601 hereof.

The Bonds of the Corporation shall not be a debt of either the State or The City, and neither the State nor The City shall be liable thereon, nor shall they be payable out of any funds other than those of the Corporation; and such Bonds shall contain on the face thereof a statement to such effect.

Any provision hereof relating to the Stock Transfer Tax, the Sales Tax, or Per Capita Aid, or the funds created by Sections 92-b, 92-d or 92-e of the State Finance Law shall be deemed executory only to the extent of the moneys available to the State in such funds from time to time and no liability on account thereof shall be incurred by the State beyond moneys available in such funds.

202. Provisions for Issuance of Bonds. 1. The issuance of the Bonds shall be authorized by a Series Resolution or Series Resolutions
of the Corporation adopted subsequent hereto and the Bonds may be issued in one or more Series. The Bonds of each Series, including Refunding Bonds, shall contain an appropriate Series designation.

Each Series Resolution authorizing the issuance of a Series of Bonds shall also specify:

(1) The authorized principal amount of said Series of Bonds;

(2) The purposes for which such Series of Bonds are being issued, which shall be purposes authorized by the Act, as then in effect;

(3) The date or dates of issue, maturity date or dates and amounts of each maturity of the Bonds of said Series;

(4) The interest rate or rates, or the manner of determining such rate or rates of the Bonds of said Series, and the interest payment dates therefor;

(5) The denomination or denominations of, and the manner of numbering and lettering, the Bonds of such Series, provided that each Bond shall be of the denomination of $5,000 (or such lesser amount as shall be specified in the Series Resolution) or a multiple thereof not exceeding the aggregate principal amount of the Bonds of such Series maturing in the year of maturity of the Bond for which the denomination is to be specified;

(6) The Paying Agent or Paying Agents and, subject to the provisions of Section 802, the place or places of payment of the principal, Sinking Fund Installments, if any, and Redemption Price, if any, of and interest on the Bonds of such Series; provided, however, that such Paying Agent or Paying Agents may be appointed by resolution of the Corporation adopted prior to authentication and delivery of such Series of Bonds in accordance with the provision of Section 802;

(7) The Redemption Price or Redemption Prices, if any, and, subject to Article IV, the redemption terms, if any, for the Bonds of such Series;

(8) If so determined by the Corporation, provisions for the sale or exchange of the Bonds of such Series and for the delivery thereof;
(9) The form or forms of the Bonds of such Series and the coupons to be attached to the coupon Bonds, if any, of such Series and of the Trustee's certificate of authentication;

(10) The officer or employee of the Corporation directed to attest by manual or facsimile signature, the seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced on the Bonds of such Series; and

(11) Any other provisions deemed advisable by the Corporation, not in conflict with the provisions of this Resolution.

2. All of the Bonds of such Series shall be executed by the Corporation for issuance under the Resolution and delivered to the Trustee and thereupon shall from time to time and in such amounts as directed by the Corporation be authenticated by the Trustee and by it delivered to the Corporation or upon its order, but only upon the receipt by the Trustee of:

(1) A Counsel's Opinion dated as of the date of such delivery by the Trustee to the effect that (i) the Corporation has the right and power under the Act as amended to the date of such Opinion to adopt the Resolution (with such approvals as may be required by the Act as so amended), and the Resolution has been duly and lawfully adopted by the Corporation and such approvals given, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms, and no other authorization for the Resolution is required; (ii) the Resolution creates the valid pledge which it purports to create of the Revenues, moneys, securities and funds held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; and (iii) the Bonds of such Series are valid and binding obligations of the Corporation as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution and of the Act as amended to the date of such Opinion, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such Opinion, and in accordance with the Resolution;

(2) A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Corporation;
3. No Series of Bonds, other than any Series of Bonds authorized by one or more Series Resolutions adopted prior to November 30, 1975, issued under the Resolution shall be authenticated and delivered by the Trustee 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 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 revenue 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 of the State Comptroller or the State Director of the Budget setting forth the estimated amount of Per Capita Aid available to be apportioned and paid (or to the extent previously apportioned and paid, the actual amount so apportioned and paid and the estimated amount, if any, available to be apportioned and paid) into the Special Aid Account for the fiscal year of the State during which such Series of Bonds are issued, provided, however, that for the fiscal year of the State ending March 31, 1976, such certificate shall set forth the amount actually apportioned and paid to the City;

(3) A certificate by an Authorized Officer setting forth (a) the maximum amount of principal and interest maturing or otherwise coming due in the current or any succeeding Fiscal Year on any outstanding obligations issued pursuant to the First General Bond Resolution and the Outstanding Note Resolutions (b) 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, for each Fiscal Year and (c) the aggregate amount of Operating Expenses as estimated by an Authorized Officer for the current Fiscal Year; and

(4) A certificate by an Authorized Officer stating that the aggregate of the amounts set forth pursuant to paragraphs (1) and (2) above after deducting the amount set forth pursuant to paragraph (3)(a) above and the Operating Expenses set forth pursuant to paragraph (3)(c) above, will be at least 1.2 times such aggregate amount set forth in (3)(b) above for each Fiscal Year set forth pursuant to paragraph (3)(b) above.

203. Provisions for Refunding Bonds. (1) 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 therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, this Section and of the Series Resolution authorizing said Series of Refunding Bonds.

(2) 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:

(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 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 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 subsection 1 and this subsection 2 of this Section 203.
204. 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, this Resolution and the Act, or with respect to the monies pledged under the Resolution or with respect to proceeds from the Per Capita Aid, the Sales Tax or the Stock Transfer Tax or the sources set forth in the Act, provided however, that, except as otherwise provided in Section 909 hereof the foregoing shall not limit any right, including the right to issue additional obligations, which the Corporation has on the date of adoption of this Resolution under the First General Bond Resolution.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

301. Medium of Payment; Form and Date. The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

The Bonds of each Series shall be issued in the form of coupon Bonds, registrable as to principal only, or in the form of fully registered Bonds without coupons, or in both such forms.

Coupon Bonds of each Series shall be dated as of the date specified in the Series Resolution authorizing the issuance thereof. Coupon Bonds of each Series shall bear interest from the date specified in the Series Resolution authorizing the issuance thereof, payable in accordance with, and upon surrender of, the appurtenant interest coupons as they severally mature. Registered Bonds of each Series issued prior to the first interest payment date thereof shall be dated as of the date specified in the Series Resolution authorizing the issuance thereof. Registered Bonds issued on or subsequent to the first interest payment date thereof shall be dated as of the date six months preceding the interest payment date next following the date of delivery thereof, unless such date of delivery shall be an interest payment date, in which case they shall be dated as of such date of delivery; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds of any Series shall be in default, the registered Bonds of such Series issued in lieu of Bonds surrendered for transfer or ex-
change may be dated as of the date to which interest has been paid in full on the Bonds surrendered. Registered Bonds of each Series shall bear interest from their date except as may be otherwise provided in a Series Resolution.

For all purposes of the Act relating to or dealing with the date of the Bonds, registered Bonds of any Series shall be deemed to be dated as of the date specified for the Bonds of such Series in the Series Resolution authorizing the issuance thereof.

All Bonds of each Series shall mature on July 1 of each year in which a maturity is fixed by a Series Resolution. Interest on all Bonds of each Series, except the first installment of interest due on the Bonds of a Series, shall be payable semi-annually on July 1 and January 1 of each year in which an installment of interest becomes due as fixed by a Series Resolution. The first installment of interest due on the Bonds of a Series may be for such period as the Corporation shall fix by Series Resolution provided that the due date thereof shall be January 1 or July 1.

302. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the Corporation prior to the delivery thereof.

303. Execution and Authentication. (1) The Bonds shall be executed in the name of the Corporation by the manual or facsimile signature of its Chairman or other Authorized Officer and its corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced, and attested by the manual or a facsimile signature of such officer or employee of the Corporation as shall be authorized and directed pursuant to the Series Resolution authorizing the issuance thereof, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually authenticated and delivered by the Trustee, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds
had not ceased to hold such offices or be so employed. Any Bond of a Series may be signed and sealed on behalf of the Corporation by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by the Corporation, although at the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(2) The coupons to be attached to the coupon Bonds of each Series shall be signed by the facsimile signature of the present or any future Chairman of the Corporation, or in such other manner as may be required by law, and the Corporation may adopt and use for that purpose the facsimile signature of any person or persons who shall have been Chairman of the Corporation at any time on or after the date of the Bonds of such Series, notwithstanding that he may not have been such Chairman at the date of any such Bond or may have ceased to be such Chairman at the time when any such Bond shall be actually authenticated and delivered.

(3) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Series Resolution authorizing such Bonds, executed manually by the Trustee unless the Series Resolution shall authorize execution by the Trustee by facsimile signature. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Resolution and no Bond and no coupon thereunto appertaining shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Corporation shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Resolution and that the Holder thereof is entitled to the benefits of the Resolution.

(4) Except as otherwise provided in Section 309, the Trustee, before authenticating and delivering any coupon Bonds, shall cut off, cancel and destroy all matured coupons thereto attached, except matured coupons for which payment in full has not been provided; provided, however, that when coupon Bonds are issued in exchange for registered Bonds of any Series upon which interest is in default, as shown by the records of the Trustee, such coupon Bonds shall have attached thereto all coupons maturing after the date to which interest has been paid.
in full, as shown by the records of the Trustee, and in case any interest installments shall have been paid in part, appropriate notation shall be made on the coupons to evidence such fact.

304. *Interchangeability of Bonds.* Coupon Bonds, upon surrender thereof at the corporate trust office of the Trustee with all unmatured coupons attached, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any of the authorized denominations.

Registered Bonds, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of coupon Bonds of the same Series and maturity with appropriate coupons attached, or of registered Bonds of the same Series and maturity of any other authorized denominations.

305. *Negotiability, Transfer and Registry.* All the Bonds issued under this Resolution shall be negotiable as provided in the Act, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Corporation shall maintain and keep, at the corporate trust office of the Trustee, books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose at said office, the Corporation shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee may prescribe, any Bond entitled to registration or transfer. So long as any of the Bonds remain Outstanding, the Corporation shall make all necessary provisions to permit the exchange of Bonds at the corporate trust office of the Trustee.

306. *Transfer and Registration of Coupon Bonds.* All coupon Bonds shall pass by delivery, unless registered as to principal other than to bearer in the manner provided in this Section 306. Any coupon Bond may be registered as to principal on the books of the Corporation at the corporate trust office of the Trustee, upon presentation
thereof at said office and the payment of a charge sufficient to reimburse the Corporation or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such registration, and such registration shall be noted on such Bond. After said registration no transfer thereof shall be valid unless made on said books by the registered owner in person or by his attorney duly authorized in writing, and similarly noted on such Bond; but such Bond may be discharged from registration by being in like manner transferred to bearer, after which it shall again become transferable by delivery. Thereafter such Bond may again, from time to time, be registered or discharged from registration in the same manner. Registration of any coupon Bond as to principal, however, shall not affect the negotiability by delivery of the coupons appertaining to such Bond, but every such coupon shall continue to pass by delivery and shall remain payable to bearer.

As to any coupon Bond registered as to principal other than to bearer the person in whose name the same shall be registered upon the books of the Corporation may be deemed and treated as the absolute owner thereof, whether such Bond shall be overdue or not, for all purposes, except for the purpose of receiving payment of coupons; and payment of, or on account of, the principal or Redemption Price, if any, of such Bond shall be made only to, or upon the order of, such registered owner thereof, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Corporation, the Trustee and any Paying Agent may deem and treat the bearer of any coupon as the absolute owner thereof, whether such coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal other than to bearer, or the person in whose name any coupon Bond for the time being shall be registered upon the books of the Corporation, as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal or Redemption Price thereof and for all other purposes whatsoever except for the purpose of receiving payment of coupons, and neither the Corporation, nor the Trustee nor any Paying Agent shall be affected by any notice to the contrary. The Corporation agrees to indemnify and save the Trustee and each Paying Agent harmless from
and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such bearer or registered owner.

307. Transfer of Registered Bonds. Each registered Bond shall be transferable only upon the books of the Corporation, which shall be kept for the purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond, the Corporation shall issue in the name of the transferee a new registered Bond or Bonds or, at the option of the transferee, coupon Bonds, with appropriate coupons attached, of the same aggregate principal amount and Series and maturity as the surrendered Bond.

The Corporation and the Trustee may deem and treat the person in whose name any Outstanding registered Bond shall be registered upon the books of the Corporation as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes whatsoever, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Corporation nor the Trustee shall be affected by any notice to the contrary. The Corporation agrees to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such registered owner.

308. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or transferring registered Bonds is exercised, the Corporation shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. All Bonds and coupons surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee, provided however, the Trustee is authorized to retain any coupon Bond so surrendered and to re-issue any Bond so retained with unmatured coupons representing interest to become due attached thereto in exchange for a registered Bond or Bonds in accordance with the provisions of Section 304 hereof (any Bond or coupons so retained by the Trustee
shall not be deemed Outstanding while so retained). For every such exchange or transfer of Bonds, whether temporary or definitive, 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. Notwithstanding any other provision of this Resolution, the cost of preparing each new coupon Bond or registered Bond upon each 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) shall be paid by the Corporation as an Operating Expense. The Corporation shall not be obliged to make any such exchange or transfer of Bonds of any Series during the ten (10) days next preceding an interest payment date on the Bonds of such Series or, in the case of any proposed redemption of Bonds of such Series, next preceding the date of the selection of Bonds to be redeemed.

309. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Corporation shall execute and the Trustee shall authenticate and deliver a new Bond (with appropriate coupons attached in the case of coupon Bonds) of like Series, maturity and principal amount as the Bond and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and substitution for the Bond and coupons, if any, destroyed, stolen or lost, upon filing with Corporation evidence satisfactory to the Corporation and the Trustee that such Bond and attached coupons, if any, have been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Corporation and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Corporation and the Trustee may prescribe and paying such expenses as the Corporation and the Trustee may incur in connection therewith. All Bonds and coupons so surrendered to the Trustee shall be cancelled by it and evidence of such cancellation shall be given to the Corporation.

310. Preparation of Definitive Bonds; Temporary Bonds. The definitive Bonds of each Series shall be lithographed or printed on steel engraved borders. Until the definitive Bonds of any Series are prepared, the Corporation may execute, in the same manner as is provided in
Section 303, and upon the request of the Corporation, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive coupon Bonds, except as to the denominations thereof and as to exchangeability for registered Bonds, one or more temporary Bonds (which may be registrable as to principal and interest), substantially of the tenor of the definitive coupon Bonds in lieu of which such temporary Bond or Bonds are issued, but with or without coupons, in authorized denominations or any whole multiples thereof authorized by the Corporation, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The installments of interest payable on such temporary Bonds in bearer form shall be payable only upon the presentation and surrender of the coupons therefor attached thereto or, if no coupons for such interest are attached thereto, then only upon presentation of such temporary Bonds for notation thereon of the payment of such interest. The Corporation at its own expense shall prepare and execute and, upon the surrender at the corporate trust office of the Trustee of such temporary Bonds, with all unmatured coupons, if any, and all matured coupons, if any, for which no payment or only partial payment has been provided, attached, for exchange and the cancellation of such surrendered temporary Bonds and coupons, the Trustee shall authenticate and, without charge to the Holder thereof, deliver in exchange therefor, at the corporate trust office of the Trustee, definitive coupon Bonds, with appropriate coupons attached, or, at the option of the Holder, definitive registered Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to this Resolution.

All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

ARTICLE IV
Redemption of Bonds

401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to the provisions of a Series Resolution shall be redeemable, upon published notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms as may be specified in the Series Resolution authorizing such Series.
402. Redemption at the Election or Direction of the Corporation. In the case of any redemption of Bonds other than as provided in Section 403, the Corporation shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Corporation in its sole discretion, subject to any limitations with respect thereto contained in the Act or this Resolution and any Series Resolution) and of the monies to be applied to the payment of the Redemption Price. Such notice shall be given at least sixty (60) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, the Trustee, if it holds the monies to be applied to the payment of the Redemption Price, or otherwise the Corporation, shall, prior to the redemption date, pay to the Trustee and the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other monies, if any, available therefor held by the Trustee and such Paying Agent or Paying Agents, will be sufficient to redeem, on the redemption date at the Redemption Price thereof, together with interest accrued to the redemption date, all of the Bonds to be redeemed. The Corporation shall promptly notify the Trustee in writing of all such payments made by the Corporation to a Paying Agent.

403. Redemption Other Than at Corporation’s Election or Direction. Whenever by the terms of this Resolution the Trustee is required to redeem Bonds other than at the election or direction of the Corporation, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price thereof, together with interest accrued to the redemption date, to itself and the appropriate Paying Agents in accordance with the terms of this Article IV and, to the extent applicable, the provisions of Section 605.

404. Selection of Bonds to Be Redeemed by Lot. In the event of redemption of less than all of the Outstanding Bonds of like Series and maturity, the Trustee shall assign to each such Outstanding registered Bond of the Series and maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest
denomination of the coupon Bonds of such Series and shall select by
lot, using such method of selection as it shall deem proper in its dis-
cretion, from the numbers of all such coupon Bonds then Outstanding
and the numbers assigned to such registered Bonds as many numbers
as, at such unit amount equal to the lowest denomination of coupon
Bonds of such Series for each number, shall equal the principal amount
of such Bonds to be redeemed. In making such selections the Trustee
may draw the Bonds by lot (a) individually or (b) by one or more
groups, the grouping for the purpose of such drawing to be by serial
numbers (or, in the case of Bonds of a denomination of more than the
lowest denomination of the coupon Bonds of such Series, by the numbers
assigned thereto as in this Section 404 provided) which end in the
same digit or in the same two digits. In case, upon any drawing by
groups, the total principal amount of Bonds drawn shall exceed the
amount to be redeemed, the excess may be deducted from any group or
groups so drawn in such manner as the Trustee may determine. The
Trustee may in its discretion assign numbers to aliquot portions of
Bonds and select part of any Bond for redemption. The Bonds to be
redeemed shall be the coupon Bonds bearing the numbers so selected
and the registered Bonds to which were assigned numbers so selected;
provided, however, that only so much of the principal amount of each
such registered Bond of a denomination of more than the lowest deno-
mination of the coupon Bonds of such Series shall be redeemed as shall
equal the lowest denomination of the coupon Bonds of such Series for
each number assigned to it and so selected.

405. Notice of Redemption. When the Trustee shall receive notice
from the Corporation of its election or direction to redeem Bonds pur-
suant to Section 402, and when redemption of Bonds is required by this
Resolution pursuant to Section 403, the Trustee shall give notice, in the
name of the Corporation, of the redemption of such Bonds, which notice
shall specify the Series and maturities of the Bonds to be redeemed,
the redemption date and the place or places where amounts due upon
such redemption will be payable and, if less than all of the Bonds of
any like Series and maturity are to be redeemed, the letters and
numbers or other distinguishing marks of such Bonds so to be re-
deeoned, and, in the case of registered Bonds to be redeemed in part
only, such notice shall also specify the respective portions of the prin-
cipal amount thereof to be redeemed. Such notice shall further state
that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by publication once a week for at least two (2) successive weeks in an Authorized Newspaper, the first such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date. In case, by reason of the temporary or permanent suspension of publication of any newspaper, or by reason of any other cause, it shall be impossible to make publication of any required notice as herein provided, then such publication or other notice in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice, provided that such publication or other notice shall, so far as may be possible, approximate the terms and conditions of the publication in lieu of which it is given. The Trustee shall also mail a copy of such notice, postage prepaid, not less than thirty (30) days before the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of Bonds.

406. Payment of Redeemed Bonds. Notice having been given by publication in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the offices specified in such notice, together with, in the case of Bonds registered other than to bearer presented by other than the registered owner, a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, and, in the case of coupon Bonds, all appurtenant coupons maturing subsequent to the redemption date, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date not represented by coupons for matured interest installments. All interest installments represented by
coupons which shall have matured on or prior to the redemption date shall continue to be payable to the bearers of such coupons. If there shall be drawn for redemption less than all of a registered Bond, the Corporation shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, at the option of the owner thereof, either coupon Bonds or registered Bonds of like Series and maturity in any of the authorized denominations. If, on the redemption date, monies for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on said date and if notice of redemption shall have been published as aforesaid, then, from and after the redemption date, interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue, and the coupons for interest appertaining thereto maturing subsequent to the redemption date shall be void. If said monies shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V

CUSTODY AND APPLICATION OF CERTAIN PROCEEDS OF BONDS

501. Application of Certain Proceeds. (1) The Corporation shall apply the amount of the proceeds derived from the sale of each Series of Bonds as shall be specified in the Series Resolution authorizing such Series.

(2) Accrued interest, if any, received upon the delivery of such Series of Bonds shall be deposited in the Bond Service Fund unless such amount is to be otherwise applied as provided in the Series Resolution authorizing such Series. The amount received as a premium over the principal amount of such Series of Bonds, if any, upon the delivery of such Series shall be applied as provided in the Series Resolution authorizing such Series.
ARTICLE VI

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

601. The Pledge Ejected by the Resolution. The proceeds of sale of the Bonds, the Revenues, and all funds established by the Resolution, and other monies and securities referred to herein (other than monies and securities in the Operating Fund) are hereby 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. The pledge created by this Resolution, insofar as it relates to revenues, monies and securities and funds pledged either under the First General Bond Resolution or the Outstanding Note Resolutions is, and is hereby expressly declared to be, subordinate in all respects to the pledge of such revenues, monies and securities and funds created by the First General Bond Resolution or the Outstanding Note Resolutions. This pledge shall be valid and binding from and after the time of adoption of this Resolution, and the proceeds of sale of the Bonds, the Revenues as received by the Corporation, all funds and other monies and securities herein pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof.

602. Establishment of Funds. The following funds are hereby established:

(1) Bond Service Fund, to be held by the Trustee,

(2) Capital Reserve Fund, to be held by the Trustee.

603. Application of Payments. The payments received in accordance with subdivision 1 of Section 3036-a of the Act shall be applied to the Operating Fund, the Bond Service Fund and to the Capital Reserve Fund in accordance with certificates of the Chairman pursuant to which the payment is made, provided, however, that if the amount
of the payment is less than the amount certified, the payment shall be applied pro rata to the respective Funds on the basis of the respective amounts certified. No Revenues received as such payments shall be deposited in the Operating Fund.

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

605. Bond Service Fund.

1. The Trustee shall on or before the business day preceding each interest payment date for any of the Bonds pay, out of the amounts then held in the Bond Service Fund, to itself and the Paying Agents, the amounts respectively required for the payment of principal, Sinking Fund Instalments, if any, and Redemption Price of, if any, and interest on any Bonds due and payable on such date, and such amounts so paid out shall be irrevocably pledged to and applied to such payments.

2. In the event that on the business day preceding any interest payment date, the amount in the Bond 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 Instalments 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 Bond Service Fund such amounts as will increase the amount in the Bond 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 Instalment, the Trustee shall proceed to call for redemption, pursuant to Section 403 hereof on such due date, Term Bonds of the Series and maturity for which such Sinking Fund Instalment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Instalment 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 monies in the Bond 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 Bond 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 July of any year but in no event less than forty-five (45) days prior to the succeeding first day of July on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with monies in the Bond 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 July shall be cancelled by the Trustee and evidence of such cancellation shall be given to the Corporation 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 July.

606. Capital Reserve Fund.

1. The Corporation shall deposit into the Capital Reserve Fund (i) all monies paid to the Corporation pursuant to subdivisions 1, 2 and 3 of Section 3036-a of the Act for the purpose of maintaining or restoring the amount in the Capital Reserve Fund to the amount of the Capital Reserve Fund Requirement; (ii) such portion of the proceeds of sale of Bonds, if any, as shall be prescribed by Series Resolution; and (iii) any other monies which may be made available to the Corporation for the purposes of the Capital Reserve Fund from any other source or sources.

2. Monies and securities held for the credit of the Capital Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Bond Service Fund at the times and in the amounts required to comply with the provisions of paragraph 2 of Section 605. At any time after December 31, 1980, monies and securities in the Capital Reserve Fund in excess of the Capital Reserve Fund Requirement, upon direction of the Corporation, may be withdrawn by the Trustee and deposited to the credit of the Bond 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 3 of Section 3036-a of the Act, the Chairman shall annually, on or before December 1, make and deliver to the Governor and Director of the
Budget of the State (with a copy to the Trustee) his certificate stating
the sum, if any, required to restore the Capital Reserve Fund to an
amount equal to the Capital Reserve Fund Requirement. All monies
received by the Corporation from the State pursuant to any such cer-
tification, in accordance with the provisions of subdivision 3 of Section
3036-a of the Act, as amended, shall be deposited in the Capital Reserve
Fund, as required by paragraph 1 of this Section 606.

4. Monies and securities held for the credit of the Capital Reserve
Fund may, and at the direction of the Corporation shall, be withdrawn
from the Capital Reserve Fund by the Trustee and deposited in the Bond
Service Fund for the purchase or redemption of Bonds at any time
provided that subsequent to such purchase or redemption the amount in
the Capital Reserve Fund will not be less than the Capital Reserve Fund
Requirement.

607. Certificate to the State Comptroller and to the Mayor of The
City of New York. In order to assure the maintenance of the Operating
Fund, the Bond Service Fund and the Capital Reserve Fund, not less
than one hundred and twenty days before the beginning of each Fiscal
Year (but prior to February 12 in each calendar year) (but not later
than March 1, 1976 for the Fiscal Year ending June 30, 1976), the Chair-
man shall certify to the State Comptroller and to the Mayor (with
a copy to the Trustee) a schedule setting forth the cash require-
ments 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 Chair-
man 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 Bond Service Fund to pay all interest on and
all payments of principal, Sinking Fund Installments, if any, and
Redemption Price, if any, of Bonds maturing or otherwise coming due
during such Fiscal Year; and (iii) the amounts required to be depos-
ited 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 25, 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 monies then in the Bond Service Fund and available for the purposes of such Fund during such Fiscal Year, not less than the sum of (A) 50% of the interest on all outstanding Bonds the interest on which is payable from the Bond 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 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 which such quarterly period is a part. Notwithstanding the foregoing, the Corporation hereby covenants to make the certifications referred to in this Section at such times and in such amounts as shall be necessary to coincide with the State procedures for payment of Per Capita Aid or other sources of revenues and as shall be necessary to make the deposits required herein and to pay the principal of, Redemption Price, if any, and interest on the Bonds when due. 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, the Chairman shall certify a revised schedule of cash requirements for such Fiscal Year to the State Comptroller and to the Mayor (with a copy to the Trustee). 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 of or interest on the Bonds any amounts due to be received as payment of principal of or interest on obligations of the City held by the Corporation.

**ARTICLE VII**

**Security for Deposits and Investment of Funds**

701. *Security for Deposits.* All monies held hereunder by the Trustee shall be continuously and fully secured, for the benefit of the Corporation and the Holders of the Bonds by direct obligations of the State or of the United States of America or obligations the principal
and interest of which are guaranteed by the State or the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such monies is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any monies with them held in trust for the payment of the principal or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any monies which shall be represented by obligations purchased under the provisions of this Resolution as an investment of such monies.

702. Investment of Funds and Accounts Held by the Trustee.

(1) Monies in the Bond 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 writing, signed by an Authorized Officer (which direction shall specify the amount thereof to be so invested and the Corporation in issuing such direction shall take into consideration the dates and times when monies in such Fund will be required for the purposes of this Resolution) 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. The maturity or redemption date at the option of the holder of any such investment shall coincide as nearly as practicable with but in no event later than the times at which monies in the Bond Service Fund and Capital Reserve Fund will be required for the purposes in this Resolution provided.
(2) Obligations purchased as an investment of monies in any fund or account held by the Trustee under the provisions of this 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.

(3) In computing the amount in any fund or account held by the Trustee under the provisions of this Resolution, excepting the Capital Reserve Fund, obligations purchased as an investment of monies therein shall be valued at the cost or market price thereof, whichever is lower, inclusive of accrued interest. In computing the amount of the Capital Reserve Fund, obligations purchased as an investment of monies therein shall be valued at par if purchased at par or at Amortized Value if purchased at other than par. Amortized Value, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation after such purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a premium and adding the amount thus calculated for each interest payment date after such purchase to the purchase price in the case of an obligation purchased at a discount. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any monies or investments in the Capital Reserve Fund.

(4) Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any obligation purchased by it as an investment pursuant to this Resolution whenever it shall be necessary in order to provide monies to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the Corporation in writing, on or before the twentieth day of each calendar month, of the details of all investments held for the credit of each fund and account in its custody under the provisions of this Resolution as of the end of the preceding month.
(5) In lieu of the investments of monies 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 monies from any fund or account held by the Trustee under the terms of this Resolution, in interest-bearing time deposits, or shall make other similar investment arrangements, including, but not limited to, repurchase agreements covering obligations of issuers enumerated as authorized for investments pursuant to the provisions of paragraph (1) above, 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 or securities dealers approved by an Authorized Officer; provided, that each such interest-bearing time deposit or other similar investment arrangement shall permit the monies so placed to be available for use at the times provided with respect to the investment or reinvestment of such monies; and provided further, that all monies in each such interest-bearing time deposit or other similar investment arrangement shall be continuously and fully secured by obligations of issuers enumerated as authorized for investments pursuant to the provisions of paragraph (1) above, of a market value equal at all times to the amount of the deposit or of the other similar investment arrangement.

(6) No part of the proceeds of any Series of Bonds or any other funds of the Corporation shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" as defined in subsection (d)(2) of section 103 of the Internal Revenue Code of 1954 [Title 26 of the United States Code] as then in effect and to be subject to treatment under subsection (d)(1) of said section as an obligation not described in subsection (a) of said section.

703. Liability of Trustee for Investments. The Trustee shall not be liable or responsible for the making of any investment authorized by the provisions of this Article, in the manner provided in this Article, or for any loss resulting from any such investment so made.

ARTICLE VIII
THE TRUSTEE AND THE PAYING AGENTS

801. Appointment and Acceptance of Duties of Trustee. United States Trust Company of New York, in the City, County and State of
New York, is hereby appointed as Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by written instrument of acceptance deposited with the Corporation.

802. Appointment and Acceptance of Duties of Paying Agents. The Corporation shall appoint one or more Paying Agents for the Bonds of any Series in the Series Resolution authorizing such Bonds or shall appoint such Paying Agent or Paying Agents by resolution of the Corporation adopted prior to the authentication and delivery of such Bonds, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in Section 812 for the appointment of a successor Paying Agent. The Trustee may be appointed to act as Paying Agent notwithstanding that it may then be acting in the capacity of Trustee.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by written instrument of acceptance deposited with the Corporation and the Trustee.

The corporate trust offices of the Paying Agents are hereby designated as the respective agencies of the Corporation for the payment of the interest on and principal or Redemption Price of the Bonds, except that interest on all registered Bonds and the principal and Redemption Price of all registered Bonds and of all coupon Bonds registered as to principal shall be payable at the corporate trust office of the Trustee.

803. Responsibilities of Trustee and Paying Agents. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Corporation and neither the Trustee nor any Paying Agent assumes any responsibility for the correctness of the same. Neither the Trustee nor any Paying Agent shall be deemed to make any representations as to the validity or sufficiency of this Resolution or of any Bonds or coupons issued hereunder or in respect of the security afforded by this Resolution, and neither the Trustee nor any Paying Agent shall incur any responsibility in respect thereof. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the applica-
tion of the proceeds thereof or the application of any monies paid to the Corporation. Neither the Trustee nor any Paying Agent shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own monies, unless properly indemnified. Neither the Trustee nor any Paying Agent shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any monies paid to any one of the others.

804. Evidence on Which Fiduciaries May Act. The Trustee and any Paying Agent shall be protected in acting upon any notice, direction, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee and any Paying Agent may consult with counsel, who may or may not be of counsel to the Corporation, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

Whenever the Trustee or any Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Resolution, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its discretion the Trustee or any Paying Agent may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in this Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Corporation to the Trustee or any Paying Agent shall be sufficiently executed if executed in the name of the Corporation by an Authorized Officer.
805. **Compensation.** The Corporation shall pay to the Trustee and to each Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution, and the Trustee and each Paying Agent shall have a lien therefor on any and all monies in the Operating Fund. The Corporation further agrees to indemnify and save the Trustee and each Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

806. **Permitted Acts and Functions.** The Trustee and any Paying Agent may become the owner of any Bonds and coupons, with the same rights it would have if it were not such Trustee or Paying Agent. The Trustee and any Paying Agent may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

807. **Resignation of Trustee.** The Trustee may at any time resign and be discharged of the duties and obligations created by this Resolution by giving not less than sixty (60) days’ written notice to the Corporation and publishing notice thereof, specifying the date when such resignation shall take effect, once in an Authorized Newspaper, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 809, in which event such resignation shall take effect immediately on the appointment of such successor.

808. **Removal of Trustee.** The Trustee shall be removed by the Corporation if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Corporation, and
signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Corporation.

809. Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Corporation covenants and agrees that it will thereupon appoint a successor Trustee. The Corporation shall publish notice of any such appointment made by it in an Authorized Newspaper, such publication to be made within twenty (20) days after such appointment.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the Corporation written notice, as provided in Section 807, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed under the provisions of this Section 809 in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York, or a national banking association doing business and having its principal office in such State, and having a capital and surplus aggregating at least Fifty Million Dollars ($50,000,000) if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

810. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Corporation, an instrument accepting such appointment, and thereupon
such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all monies, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Corporation, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Corporation be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Corporation. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

811. Merger, Conversion or Consolidation. Any company into which the Trustee or any Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee or any Paying Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Trustee or Paying Agent without the execution or filing of any paper or the performance of any further act, provided with respect to the Trustee that such company shall be a bank or trust company organized under the laws of any states of the United States or the District of Columbia or a national banking association and shall have an office for the transaction of its business in any of such states or the District of Columbia and shall be authorized by law to perform all the duties imposed upon it by this Resolution.

812. Resignation or Removal of the Paying Agents and Appointment of Successors. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by
giving at least sixty (60) days’ written notice to the Corporation and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Corporation. Any successor Paying Agent shall be appointed by the Corporation and (subject to the requirements of Section 903) shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association, having a capital and surplus aggregating at least Three Million Dollars ($3,000,000), and willing and able to accept the office of Paying Agent on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any monies held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

ARTICLE IX
COVENANTS OF THE CORPORATION

The Corporation covenants and agrees with the Holders of the Bonds and coupons as follows:

901. 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. All such payments, to the extent not paid when due and payable, shall continue to be due and payable and, accordingly, shall be deemed to be becoming due until the same shall be paid.

902. Extension of Payment of Bonds and Coupons. 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 and 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, such Bonds, coupons or claims for interest shall not be entitled in case of any default under this Resolution to the benefit of this 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 this 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 Refunding Bonds as provided in Section 203 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.

903. Offices for Payment and Registration of Bonds and Coupons. 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. The Corporation may pursuant to a Series Resolution or pursuant to resolution adopted in accordance with Section 802 designate an additional Paying Agent or Paying Agents where Bonds and coupons of the Series authorized thereby or referred to therein may be presented for payment. The Corporation shall at all times maintain an office or agency in the Borough of Manhattan, City and State of New York, where Bonds may be presented for registration, transfer or exchange and the Trustee is hereby appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds.

904. Further Assurances. At any and all times the Corporation shall, so far as it may be authorized or permitted by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, confirming and effecting all and singular the rights, Revenues and other monies, securities and funds hereby pledged or assigned, or intended so to be, or which the Corporation may hereafter become bound to pledge or assign. The Corporation further covenants that it
shall cause the Chairman to make and deliver the certificates referred to in sub-section 3 of Section 606 and Section 607 hereof at the times required therein and shall cause the amounts received to be deposited in the appropriate Funds, respectively.

905. Power to Issue Bonds and Make Pledges. The Corporation is duly authorized pursuant to law to create and issue the Bonds and to adopt this Resolution and to pledge the Revenues and other monies, securities and funds purported to be pledged by this Resolution in the manner and to the extent provided in this Resolution. Except to the extent otherwise provided in Section 601, the Revenues and other monies, 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 this 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 this Resolution are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of this Resolution. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other monies, securities and funds pledged under this Resolution and all the rights of the Bondholders under this Resolution against all claims and demands of all persons whomsoever.

906. Agreement of the State. In accordance with the provisions of Section 3015 of the Act, the Corporation hereby includes in this Resolution the pledge of 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.

907. 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, monies 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 revenues, monies and securities in the Bond Service Fund; provided, however, that nothing contained in this Resolution shall prevent the Corporation from issuing (i) bonds, notes, or any other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution, (ii) obligations issued in accordance with Article II of the First General Bond Resolution except as limited in Section 909 hereof and (iii) obligations issued in lieu of or in substitution for other obligations pursuant to Sections 304 and 306 through 310 or Sections 406 or 1106 of the First General Bond Resolution.

908. Accounts and Reports. The Corporation shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made for its transactions relating to all Funds established by this Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than five per cent (5%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

909. General. The Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the Act as then in effect and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State of New York and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Corporation, shall be within every debt and other limit prescribed by the laws of said State.

If the Corporation shall exercise its power to limit the implementation of the conditions set forth in Section 3038 of the Act or thereafter to permit such conditions to be further limited, any such action shall
be taken by resolution of the Board. When so acting the Board shall make a determination that any such limitation is not so substantial as effectively to constitute a waiver of any of the conditions in Section 3038, or shall make a determination that the conditions shall impose a further condition on the City which determination shall be conclusive and binding upon the holders of the Bonds and the Trustee. A copy of such resolution shall promptly be delivered to the Trustee and to the Governor, the State Legislature, the State Comptroller, the Mayor, the Board of Estimate, the City Council and the City Comptroller and promptly be published by the Corporation.

Subject to the rights of holders of obligations issued pursuant to the First General Bond Resolution, the Corporation shall not modify or amend the First General Bond Resolution in any manner which would have a material adverse effect on the Bondholders, provided, however, that nothing herein shall prevent the Corporation from amending or supplementing the First General Bond Resolution to provide for the issuance of Bonds, Notes or Other Obligations (as such terms are defined in the First General Bond Resolution) as provided in the First General Bond Resolution. No such Bonds, Notes or Other Obligations shall be issued in accordance with Article II of the First General Bond Resolution if such issuance would cause the amounts stated in paragraph (1) and (2) of Subsection 3 of Section 202 after making the deductions provided in subparagraphs 3(a) and 3(c) to be less than 1.2 times such aggregate amount set forth in paragraph 3(b) of subsection 3 of Section 202 for each Fiscal Year set forth pursuant to said paragraph 3(b) if such certifications required to be made pursuant to such Subsection 3 had been made at the time of, and gave effect to, the issuance of such Bonds, Notes or Other Obligations.

The Corporation hereby covenants and agrees with all who may be Holders of the Bonds that it shall not issue and the Corporation represents hereby that there are presently not outstanding any Bonds, Notes, or Other Obligations (as such terms are defined in the First General Bond Resolution), or any bonds, notes or other obligations pursuant to any resolution, including the Outstanding Note Resolutions, of the Corporation, the holders of which would have a right to payment from the State Aid Fund prior or equal to the right of the Holders of the Bonds to payment from such Fund.
ARTICLE X

SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

1001. Modification and Amendment Without Consent. Notwithstanding any other provisions of this Article X, or Article XI, the Corporation may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer:

(1) To provide for the issuance of a Series of Bonds pursuant to the provisions of this Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(2) 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 this Resolution;

(3) 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 therefore theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of this 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 this Resolution;

(5) 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 this Resolution, of the Revenues or of any other monies, securities or funds;

(6) To modify any of the provisions of this Resolution or any previously adopted Series Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adop-
tion of such Series Resolution or Supplemental Resolution shall
cease to be Outstanding, and all Bonds issued under such resolu-
tions shall contain a specific reference to the modifications con-
tained in such subsequent resolutions; or

(7) With the consent of the Trustee, to cure any ambiguity
or defect or inconsistent provision in this Resolution or to insert
such provisions clarifying matters or questions arising under this
Resolution as are necessary or desirable in the event any such
modifications are not contrary to or inconsistent with this Resolu-
tion as theretofore in effect.

1002. Supplemental Resolutions Effective With Consent of Bond-
holders. The provisions of this Resolution may also be modified or
amended at any time or from time to time by a Supplemental Resolu-
tion, subject to the consent of Bondholders in accordance with and sub-
ject to the provisions of Article XI hereof, such Supplemental Resolu-
tion to become effective upon the filing with the Trustee of a copy
thereof certified by an Authorized Officer.

1003. General Provisions Relating to Series Resolutions and Sup-
plemental Resolutions. This Resolution shall not be modified or
amended in any respect except in accordance with and subject to the
provisions of this Article X and Article XI. Nothing contained in this
Article X or Article XI shall affect or limit the rights or obligations
of the Corporation to adopt, make, do, execute or deliver any resolution,
act or other instrument pursuant to the provisions of Section 904 or the
right or obligation of the Corporation to execute and deliver to the
Trustee or any Paying Agent any instrument elsewhere in this Resolu-
tion provided or permitted to be delivered to the Trustee or any Paying
Agent.

A copy of every Series Resolution and Supplemental Resolution
adopted by the Corporation when filed with the Trustee shall be ac-
accompanied by a Counsel’s Opinion stating that such Series Resolution
or Supplemental Resolution has been duly and lawfully adopted in
accordance with the provisions of this Resolution, is authorized or
permitted by this Resolution and is valid and binding upon the Corpo-
ration and enforceable in accordance with its terms.
The Trustee is hereby authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of this Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on Counsel's Opinion that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent may be adopted by the Corporation without the written consent of the Trustee or Paying Agent affected thereby.

ARTICLE XI

AMENDMENTS OF RESOLUTIONS

1101. Powers of Amendment. Any modification or amendment of this Resolution and of the rights and obligations of the Corporation and of the Holders of the Bonds and coupons hereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in Section 1102, (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 this Section. 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 install-
ment 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. For
the purposes of this Section, a Series shall be deemed to be affected
by a modification or amendment of this Resolution if the same adversely
affects or diminishes the rights of the Holders of Bonds and coupons
of such Series. The Trustee may in its discretion determine whether
or not in accordance with the foregoing provisions Bonds of any par-
ticular Series or maturity would be affected by any modification or
amendment of this Resolution and any such determination shall be
binding and conclusive on the Corporation and all Holders of Bonds.
The Trustee may receive an opinion of counsel, including Counsel’s
Opinion, as conclusive evidence as to whether Bonds of any particular
Series or maturity would be so affected by any such modification or
amendment of this Resolution.

1102. Consent of Bondholders. The Corporation may at any
time adopt a Supplemental Resolution making a modification or amend-
ment permitted by the provisions of Section 1101 to take effect when
and as provided in this Section. A copy of such Supplemental Reso-
lution (or brief summary thereof or reference thereto in form approved
by the Trustee) together with a request to Bondholders for their con-
sent thereto in form satisfactory to the Trustee, shall promptly after
adoption be mailed by the Corporation to Bondholders and be published
at least once a week for two (2) successive weeks (but failure to mail
such copy and request shall not affect the validity of the Supplemental
Resolution when consented to as in this Section provided). Such Sup-
plemental Resolution shall not be effective unless and until (a) there
shall have been filed with the Trustee (i) the written consents of
Holders of the percentages of Outstanding Bonds specified in Section
1101 and (ii) a Counsel’s Opinion stating that such Supplemental
Resolution has been duly and lawfully adopted and filed by the Corpo-
ration in accordance with the provisions of this Resolution, is author-
ized or permitted by this Resolution, and is valid and binding upon the
Corporation and enforceable in accordance with its terms, and (b) a
notice shall have been published as hereinafter in this Section 1102
provided. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1301. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 1301 shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1301 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 1102 provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1301. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Corporation and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section 1102, shall be given to Bondholders by the Corporation by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section 1102 provided) and by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee herein-
above provided for is filed. The Corporation shall file with the Trustee proof of the publication of such notice, and, if the same shall have been mailed to Bondholders, of the mailing thereof. A transcript, consisting of the papers required or permitted by this Section 1102 to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, each Paying Agent and the Holders of all Bonds and coupons at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Corporation, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

1103. Modifications by Unanimous Consent. The terms and provisions of this Resolution and the rights and obligations of the Corporation and of the Holders of the Bonds and coupons thereunder may be modified or amended in any respect upon the adoption and filing with the Trustee by the Corporation of a copy of a Supplemental Resolution certified by an Authorized Officer and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 1102, except that no notice to Bondholders either by mailing or publication shall be required.

1104. Mailing and Publication. (1) Any provision in this Article for the mailing of a notice or other document to Bondholders shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Corporation, (ii) to each Holder of any Bond payable to bearer who shall have filed with the Trustee within two (2) years preceding such mailing an address for notices, and (iii) to the Trustee.

(2) Any provision in this Article for publication of a notice or
other matter shall require the publication thereof only in an Authorized Newspaper.

1105. Exclusion of Bonds. Bonds owned or held by or for the account of the Corporation shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Resolution, and the Corporation shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Resolution. At the time of any consent or other action taken under this Resolution, the Corporation shall furnish the Trustee a certificate of an Authorized Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

1106. Notation on Bonds. Bonds delivered after the effective date of any action taken as in Article X or this Article XI provided may, and if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Corporation and the Trustee as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and upon presentation of his Bond for such purpose at the corporate trust office of the Trustee suitable notation shall be made on such Bond by the Trustee as to any such action. If the Corporation or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Corporation to conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds with all unpaid coupons, if any, appertaining thereto.

ARTICLE XII
DEFAULTS AND REMEDIES

1201. Trustee to Exercise Powers of Statutory Trustee. The Trustee shall be and hereby is vested with all of the 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 Section 3017 of the Act is hereby abrogated in accordance with the provision of subdivision 2(g) of Section 3012 of the Act.

1202. Events of Default. Each of the following events is hereby declared an "event of default," that is to say; if
(a) the Corporation shall default in the payment of the principal, 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-a 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 Bond Service Fund or the Operating 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 or the Bond Service Fund the amount or amounts received by the Corporation for deposit in such Funds, respectively; or

(d) the Corporation shall fail or refuse to comply with the provisions of subdivisions 2 and 3 of Section 3036-a 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 (e) 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 this 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 for the Corporation in the municipal assistance
tax fund established pursuant to Section 92-d of the State Finance
Law or the stock transfer tax fund established by Section 92-b of
said Law; or

(h) the State shall for any reason fail or refuse to apportion
and pay Per Capita Aid or shall fail to maintain the State Aid
Fund and the Special Aid Account therein or shall reduce the
amount of Per Capita Aid payable during the current Fiscal Year
to an amount less than the maximum amount of principal of and
interest maturing or otherwise coming due on the Outstanding
Bonds in the current or any future Fiscal Year.

1203. Remedies. (1) Upon the happening and continuance of any
event of default specified in paragraph (a) or (b) of Section 1202, the
Trustee shall proceed, or upon the happening and continuance of any
event of default specified in paragraphs (c), (d), (e), (f), (g) or (h) of
Section 1202, the Trustee may proceed, and upon the written request
of the Holders of not less than twenty-five per centum (25%) in prin-
cipal 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 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;

(e) in accordance with the provisions of the Act, 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.

(2) In the enforcement of any remedy under this 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 this Resolution or a Series Resolution or of the Bonds, and unpaid, 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 hereunder and under such Bonds, 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 monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

1204. 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 monies received or collected by the Trustee acting pursuant to the Act and this Article XII, 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 this 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 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.

The provisions of this Section 1204 are in all respects subject to the provisions of Section 902.

Whenever monies are to be applied by the Trustee pursuant to the provisions of this Section, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such monies with the Paying Agents, or otherwise setting aside such monies in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever
to the Corporation, to any Bondholder or to any other person for any
delay in applying any such monies, so long as the Trustee acts with
reasonable diligence, having due regard for the circumstances, and
ultimately applies the same in accordance with such provisions of this
Resolution as may be applicable at the time of application by the
Trustee. Whenever the Trustee shall exercise such discretion in ap-
plying such monies, it shall fix the date (which shall be an interest pay-
ment date unless the Trustee shall deem another date more suitable)
upon which such application is to be made and upon such date interest
on the amounts of principal to be paid on such date shall cease to
accrete. The Trustee shall give such notice as it may deem appro-
priate for the fixing of any such date. The Trustee shall not be
required to make payment to the Holder of any unpaid coupon or
any Bond unless such coupon or such Bond shall be presented to the
Trustee for appropriate endorsement or for cancellation if fully paid.

1205. Termination of Proceedings. In case any proceeding taken
by the Trustee on account of any event of default shall have been dis-
continued or abandoned for any reason, then in every such case the
Corporation, the Trustee and the Bondholders shall be restored to their
former positions and rights hereunder, respectively, and all rights,
remedies, powers and duties of the Trustee shall continue as though no
such proceeding had been taken.

1206. Bondholders' Direction of Proceedings. Anything in this
Resolution to the contrary notwithstanding, the Holders of the ma-
jority in principal amount of the Bonds then Outstanding shall have
the right by an instrument or concurrent instruments in writing exe-
cuted and delivered to the Trustee, to direct the method of conducting
all remedial proceedings to be taken by the Trustee hereunder, pro-
vided that such direction shall not be otherwise than in accordance
with law or the provisions of this Resolution, and that the Trustee
shall have the right to decline to follow any such direction which in
the opinion of the Trustee would be unjustly prejudicial to Bondholders
not parties to such direction.

1207. Limitation on Rights of Bondholders. No Holder of any
Bond shall have any right to institute any suit, action, mandamus or
other proceeding in equity or at law hereunder, or for the protection or
enforcement of any right under this Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Resolution or for any other remedy hereunder or under law. It is understood and intended that no one or more Holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder or under law with respect to the Bonds or this Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders of the Outstanding Bonds and coupons. Notwithstanding the foregoing provisions of this Section or any other provisions of this Article XII, the obligation of the Corporation shall be absolute and unconditional to pay the principal and Redemption Price of and interest on the Bonds to the respective Holders thereof and the coupons pertaining thereto at the respective due dates thereof, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything to the contrary notwithstanding contained in this Section 1207, or any other provision of this Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Resolution or any Series Resolution, or in any suit against the Trustee for any action taken or omitted by
it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

1208. *Possession of Bonds by Trustee Not Required.* All rights of action under this Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the coupons appertaining thereto or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Holders of such Bonds and coupons, subject to the provisions of this Resolution.

1209. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

1210. *No Waiver of Default.* No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

1211. *Notice of Event of Default.* The Trustee shall give to the Bondholders notice of each event of default hereunder known to the Trustee within ninety (90) days after knowledge of the occurrence
thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal, Sinking Fund Installment, or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Operating Fund, the Bond Service Fund or the Capital Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing written notice thereof: (1) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; (2) to such Bondholders as have filed their names and addresses with the Trustee for that purpose; and (3) to such other persons as is required by law.

ARTICLE XIII

EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOFS OF OWNERSHIP OF BONDS

1301. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Resolution to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Bondholders in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or, in the case of coupon Bonds, by any bank, trust company, or other depository of such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Bonds shall be sufficient for any purpose of this Resolution (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Bondholder or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by delivery of a certificate, which need not be acknowledged or veri-
fied, of an officer of any bank, trust company, or other depository, or of any notary public, or other officer authorized to take acknowledgements. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) The fact of the holding of coupon Bonds by any Bondholder and the amount and the numbers of such Bonds and the date of his holding the same (unless such Bonds be registered as to principal other than to bearer) may be proved by a certificate executed by an officer of any bank, trust company, or other depository, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with or exhibited to such bank, trust company, or other depository the Bonds described in such certificate. The Trustee may conclusively assume that such ownership continues until written notice of the contrary is served upon the Trustee. The ownership of registered Bonds shall be proved by the registry books kept by the Trustee under the provisions of this Resolution.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which may seem sufficient. Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond in respect of anything done or suffered to be done by the Corporation, the Trustee or any Paying Agent in pursuance of such request or consent.

ARTICLE XIV
DeFeasance

1401. 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 the manner stipulated therein and in the Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the
Corporation to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds or coupons not theretofore surrendered for such payment or redemption.

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 Fiduciaries (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 effect expressed in subsection 1 of this Section. 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 subsection 1 of this Section 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 monies 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 monies which, together with the monies, 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 this Section and stating such maturity or
redemption date upon which monies 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 monies deposited with the Trustee pursuant to this Section 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 practicable, 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 shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

3. Anything in the Resolution to the contrary notwithstanding, any monies held by a Fiduciary in trust for the payment and discharge of any of the Bonds or coupons which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such monies were held by the Fiduciary at such date, or for six years after the date of deposit of such monies if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Corporation, be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Corporation for the payment of such Bonds and coupons; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such monies then unclaimed will be returned to the Corporation.
ARTICLE XV

MISCELLANEOUS

1501. Preservation and Inspection of Documents. All documents received by the Trustee or any Paying Agent under the provisions of this Resolution or any Series Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Corporation, the Trustee or any Paying Agent and after written request received by the Trustee at least five business days prior to the date of inspection, by any Holder of Outstanding Bonds and their agents and representatives, any of whom may make copies thereof.

1502. Parties of Interest. Nothing in this Resolution or in any Series Resolution adopted pursuant to the provisions hereof, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or party other than the Corporation, Trustee, Paying Agents and the Holders of the Bonds and coupons pertaining thereto any rights, remedies or claims under or by reason of this Resolution or any Series Resolution or any covenants, condition or stipulation thereof; and all covenants, stipulations, promises and agreements in this Resolution and any Series Resolution contained by or on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, Trustee and Paying Agents and the Holders from time to time of the Bonds and the coupons pertaining thereto.

1503. No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Corporation contained in this Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Corporation and not of any member, officer or employee of the Corporation in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Resolution against any member, officer or employee of the Corporation or any natural person executing the Bonds.

1504. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Resolution on the part of the Corporation, Trustee or any Paying Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipu-
lations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Resolution.

1505. *Headings.* Any headings preceding the texts of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect.

1506. *Conflict.* All resolutions or parts of resolutions or other proceedings of the Corporation in conflict herewith be and the same are repealed insofar as such conflict exists.

1507. *Effective Date.* This Resolution shall take effect immediately upon its adoption.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1976 Series 5 Resolution

Authorizing
NOT IN EXCESS OF $1,141,900,000

1976 SERIES 5 BONDS

Due
July 1, 1991

Adopted May 18, 1976
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1976 SERIES 5 RESOLUTION AUTHORIZING
NOT IN EXCESS OF $1,141,900,000
1976 SERIES 5 BONDS

TABLE OF CONTENTS*

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>1976 Series 5 Resolution</td>
<td>1</td>
</tr>
<tr>
<td>102</td>
<td>Definitions</td>
<td>1</td>
</tr>
<tr>
<td>103</td>
<td>Authority for the 1976 Series 5 Resolution</td>
<td>2</td>
</tr>
</tbody>
</table>

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE OF 1976 SERIES 5 BONDS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>201</td>
<td>Authorization of 1976 Series 5 Bonds, Principal Amount,</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Designation and Series</td>
<td></td>
</tr>
<tr>
<td>202</td>
<td>Purpose</td>
<td>2</td>
</tr>
<tr>
<td>203</td>
<td>Date of 1976 Series 5 Bonds</td>
<td>2</td>
</tr>
<tr>
<td>204</td>
<td>Maturities and Interest Rates</td>
<td>3</td>
</tr>
<tr>
<td>205</td>
<td>Interest Payments</td>
<td>3</td>
</tr>
<tr>
<td>206</td>
<td>Denominations, Numbers and Letters</td>
<td>3</td>
</tr>
<tr>
<td>207</td>
<td>CUSIP Numbers</td>
<td>3</td>
</tr>
<tr>
<td>208</td>
<td>Places of Payment and Paying Agent</td>
<td>3</td>
</tr>
<tr>
<td>209</td>
<td>Redemption of 1976 Series 5 Bonds and Terms</td>
<td>4</td>
</tr>
<tr>
<td>210</td>
<td>Sinking Fund Installments</td>
<td>4</td>
</tr>
<tr>
<td>211</td>
<td>Selection by Lot</td>
<td>5</td>
</tr>
<tr>
<td>212</td>
<td>Exchange of 1976 Series 5 Bonds</td>
<td>5</td>
</tr>
</tbody>
</table>

* This Table of Contents was not part of the Resolution as adopted.
ARTICLE III

FORMS AND EXECUTION OF 1976 SERIES 5 BONDS AND COUPONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>301</td>
<td>Form of Bonds and Coupons of 1976 Series 5 Bonds</td>
<td>5</td>
</tr>
<tr>
<td>302</td>
<td>No Recourse on 1976 Series 5 Bonds</td>
<td>31</td>
</tr>
<tr>
<td>303</td>
<td>Execution and Authentication of 1976 Series 5 Bonds</td>
<td>31</td>
</tr>
</tbody>
</table>

ARTICLE IV

MISCELLANEOUS

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>401</td>
<td>When Effective</td>
<td>32</td>
</tr>
</tbody>
</table>


1976 SERIES 5 RESOLUTION AUTHORIZING

NOT IN EXCESS OF $1,141,900,000

1976 SERIES 5 BONDS

BE IT RESOLVED by the Board of Directors of the Municipal Assistance Corporation For The City of New York, as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

SECTION 101. 1976 Series 5 Resolution. This Resolution is supplemental to, and constitutes a Series Resolution within the meaning of and is adopted in accordance with Article X of, the resolution adopted by the Corporation on November 25, 1975, entitled “Second General Bond Resolution”.

SECTION 102. Definitions. (a) All terms which are defined in Section 101 of the Second General Bond Resolution shall have the same meanings, respectively, in this 1976 Series 5 Resolution Authorizing Not In Excess of $1,141,900,000 1976 Series 5 Bonds as such terms are given in said Section 101 of the Second General Bond Resolution.

(b) In addition, as used in this 1976 Series 5 Resolution Authorizing Not In Excess of $1,141,900,000 1976 Series 5 Bonds, unless the context shall otherwise require, the following terms shall have the following respective meanings:

“Issue Date” shall mean the expiration date of the exchange offer of the Corporation made pursuant to the Official Statement referred to in Section 212 hereof, provided, however, that with respect to certain registered 1976 Series 5 Bonds issued on or after the first interest payment date, Issue Date shall mean the date provided in Section 301 of the Resolution.

“1976 Series 5 Bonds” shall mean the Bonds authorized by Article II of this 1976 Series 5 Resolution.

“1976 Series 5 Resolution” shall mean this 1976 Series 5 Resolution Authorizing Not In Excess of $1,141,900,000 1976 Series 5 Bonds.

“Short Term Obligations” shall mean revenue anticipation notes of the City with stated maturity dates of December 11, 1975, January 12, 1976 and February 13, 1976, and bond anticipation notes of the City with a stated maturity date of March 12, 1976.

(e) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the
context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this 1976 Series 5 Resolution, refer to the 1976 Series 5 Resolution.

SECTION 103. Authority for the 1976 Series 5 Resolution. This 1976 Series 5 Resolution is adopted pursuant to the provisions of the Act and the Resolution.

ARTICLE II
Authorization, Terms and Issuance of 1976 Series 5 Bonds

SECTION 201. Authorization of 1976 Series 5 Bonds, Principal Amount, Designation and Series. The 1976 Series 5 Bonds are hereby authorized to be issued in the aggregate principal amount of not in excess of $1,141,900,000 pursuant to and subject to the terms, conditions and limitations established in the Resolution and this 1976 Series 5 Resolution which shall be deemed to be Term Bonds within the meaning of the Resolution. In addition to the title "Bonds", such Series of Bonds shall bear the additional designation of "1976 Series 5" and each as so designated shall be entitled "1976 Series 5 Bond" and may be issued in coupon form payable to bearer and registrable as to principal only or in fully registered form.

SECTION 202. Purpose. The purpose for which the 1976 Series 5 Bonds are being issued is to exchange the 1976 Series 5 Bonds for Short Term Obligations, excluding however the right to receive interest thereon from the City for the period to and including the Issue Date.

SECTION 203. Date of 1976 Series 5 Bonds. The 1976 Series 5 Bonds shall be dated July 1, 1976, except as otherwise provided in Section 301 of the Resolution with respect to certain registered 1976 Series 5 Bonds issued on or after the first interest payment date. Registered 1976 Series 5 Bonds issued prior to the first interest payment date thereof shall be dated July 1, 1976.
SECTION 204. Maturities and Interest Rates. The 1976 Series 5 Bonds shall mature on July 1, 1991 and shall bear interest at the rate of eight percent per annum as provided in Section 205 hereof.

SECTION 205. Interest Payments. The 1976 Series 5 Bonds shall bear interest from their Issue Date, payable on January 1, 1977 and semi-annually thereafter on July 1 and January 1 in each year.

SECTION 206. Denominations, Numbers and Letters. The 1976 Series 5 Bonds shall be issued in the denomination of $5,000 in the case of 1976 Series 5 Bonds in coupon form and in the denomination of $1,000 or an integral multiple of $1,000 in fully registered form without coupons. The 1976 Series 5 Bonds in coupon form shall be numbered 5- and the 1976 Series 5 Bonds in fully registered form without coupons shall be numbered and lettered 5-R, in each case followed by the number of the 1976 Series 5 Bond. 1976 Series 5 Bonds in coupon form so designated shall be numbered consecutively from one (1) upwards and 1976 Series 5 Bonds in fully registered form so lettered shall be numbered consecutively from one (1) upwards in order of issuance. The 1976 Series 5 Bonds delivered in fully registered form on the initial delivery hereof shall be interchangeable for coupon 1976 Series 5 Bonds in accordance with the provisions of Article III of the Resolution, provided however that no such exchange may be requested prior to ninety days after the initial delivery of the 1976 Series 5 Bonds or such earlier date as the Corporation shall approve, and provided further, that 1976 Series 5 Bonds in the denomination of $1,000 may only be exchanged, when the aggregate principal amount thereof is $5,000 or an integral multiple of $5,000, for an equal aggregate principal amount of 1976 Series 5 Bonds in coupon form, and provided further, that in no event shall 1976 Series 5 Bonds in the denomination of $5,000 or an integral multiple of $5,000 be exchanged for an equal aggregate principal amount of 1976 Series 5 Bonds in the denomination of $1,000.

SECTION 207. CUSIP Numbers. The Corporation is hereby authorized, in its discretion, to provide for the assignment of CUSIP numbers for the 1976 Series 5 Bonds and to have such CUSIP numbers printed thereon, and the Corporation may direct the Trustee to use such CUSIP numbers in notices of redemption and on checks payable to registered Bondholders as a convenience to Bondholders, provided that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of redemption.

SECTION 208. Place of Payment and Paying Agent. The principal and Redemption Price of, and interest on, the 1976 Series 5 Bonds shall be payable at the corporate trust office of the Trustee.
SECTION 209. Redemption of 1976 Series 5 Bonds and Terms. The 1976 Series 5 Bonds shall be subject to redemption, in whole or in part, at the election of the Corporation, at the Redemption Price of one hundred per centum (100%) of the principal amount thereof, plus accrued interest, if any, to the date of redemption. Additionally, the 1976 Series 5 Bonds shall be subject to redemption from mandatory Sinking Fund Installments, as hereinafter provided.

SECTION 210. Sinking Fund Installments. The 1976 Series 5 Bonds shall be subject to redemption, in part, by operation of the Bond Service Fund through application of Sinking Fund Installments as provided in the Resolution. The 1976 Series 5 Bonds shall be subject to such redemption beginning on July 1, 1982, and on each July 1 thereafter until maturity on July 1, 1991, as herein provided, upon published notice, all as prescribed in Article IV of the Resolution, at the Redemption Price of one hundred per centum (100%) of the principal amount of each 1976 Series 5 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. Unless none of the 1976 Series 5 Bonds shall then be Outstanding and, subject to the provisions of Section 605 of the Resolution permitting amounts to be credited to part or all of any one or more Sinking Fund Installments, there shall be due and the Corporation shall be required to pay for the retirement of the 1976 Series 5 Bonds, on July 1 of each of the years set forth in the following table, the amount determined by applying the percentage set forth opposite such year to the principal amount of such 1976 Series 5 Bonds Outstanding as of the date of original issue of the 1976 Series 5 Bonds, and the said amount so determined to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of the 1976 Series 5 Bonds, except that in each such year, in order, the amount so determined shall be rounded up to the nearest $5,000, and except that the amount determined for the year 1991 in said table shall be payable at the stated maturity date of the 1976 Series 5 Bonds and provided that the aggregate amounts so determined do not exceed the principal amount of such 1976 Series 5 Bonds Outstanding as of such date of original issue:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>6.7946%</td>
<td>1987</td>
<td>10.1383%</td>
</tr>
<tr>
<td>1983</td>
<td>7.3608</td>
<td>1988</td>
<td>10.9832</td>
</tr>
<tr>
<td>1984</td>
<td>7.9741</td>
<td>1989</td>
<td>11.8984</td>
</tr>
<tr>
<td>1985</td>
<td>8.6384</td>
<td>1990</td>
<td>12.8898</td>
</tr>
</tbody>
</table>
SECTION 211. Selection by Lot. If less than all of the 1976 Series 5 Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in accordance with Section 404 of the Resolution.

SECTION 212. Exchange of 1976 Series 5 Bonds. (a) The 1976 Series 5 Bonds authorized to be issued herein shall be issued and delivered in accordance with the provisions of an exchange offer of the Corporation made pursuant to the Official Statement referred to hereinafter as such exchange offer may be extended or modified by the Corporation.

(b) The Official Statement of the Corporation entitled "Exchange Offer To Holders Of Certain Short-Term Notes Of The City Of New York" and to be dated May 21, 1976, as such Official Statement may be amended or supplemented with the approval of the Corporation, and the distribution thereof in connection with the solicitation of exchanges of the 1976 Series 5 Bonds for Short Term Obligations are hereby authorized and approved.

ARTICLE III

FORM AND EXECUTION OF 1976 SERIES 5 BONDS AND COUPONS

SECTION 301. Form of Bonds and Coupons of 1976 Series 5 Bonds. Subject to the provisions of the Resolution, the 1976 Series 5 Bonds in coupon form and coupons to be attached thereto and the 1976 Series 5 Bonds in registered form, together with the form of assignment therefor, and the Trustee's Certificate of Authentication, shall be in substantially the following form and tenor:

(FORM OF COUPON 1976 SERIES 5 BOND)

No........................................... $5,000

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
1976 SERIES 5 BOND

The Municipal Assistance Corporation for the City of New York (hereinafter sometimes called the "Corporation"), a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation, organized and existing under and pursuant to the
laws of the State of New York, acknowledges itself indebted to, and for value received, hereby promises to pay to the bearer or, if this Bond be registered as herein provided, to the registered owner hereof, upon presentation and surrender of this Bond, the principal sum of FIVE THOUSAND DOLLARS ($5,000) on the first day of July, 1991, unless redeemed prior thereto as hereinafter provided, and to pay interest thereon from the Issue Date shown below to the date of maturity or earlier redemption of this Bond, at the rate of eight per centum (8%) per annum, payable on January 1, 1977 and semi-annually thereafter on July 1 and January 1, until the Corporation’s obligation with respect to the payment of such principal sum shall be discharged, but only with respect to interest due on or before the maturity of this Bond according to the tenor and upon presentation and surrender of the attached coupons as they respectively become due and payable. Both principal and redemption premium, if any, of and interest on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts, at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York, as trustee under the resolution of the Corporation adopted November 25, 1975, entitled “Second General Bond Resolution” (herein called the “Second General Bond Resolution”), or its successor as trustee (herein called the “Trustee”), in like coin or currency.

This Bond is one of a duly authorized issue of bonds of the Corporation designated as its “Bonds” (herein called the “Bonds”), issued and to be issued in various series under and pursuant to the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, said Acts being Titles I, II and III of Article 10 of the Public Authorities Law (Chapter 43-A of the Consolidated Laws of the State of New York), as amended (herein called the “Act”), and under and pursuant to the Second General Bond Resolution and the series resolution authorizing each such series.

The Bonds are general obligations of the Corporation payable out of any payments to the Corporation pursuant to Section 3036 and 3036-a of the Act except for amounts pledged pursuant to the General Bond Resolution of the Corporation adopted July 2, 1975 (the “First General Bond Resolution”) and the note resolutions of the Corporation adopted on September
15, 1975 and November 17, 1975 (the "Outstanding Note Resolutions") and the rights of the holders of the Bonds to such amounts are declared to be expressly subordinate to the rights of the holders of obligations issued pursuant to the First General Bond Resolution and the Outstanding Note Resolutions and any payments to the Corporation for credit to the Operating Fund as defined in and established pursuant to the First General Bond Resolution. The Bonds are entitled to a first lien created by the pledge under the Second General Bond Resolution of all revenues, moneys and securities in the Bond Service Fund and the Capital Reserve Fund (as defined therein). The Second General Bond Resolution provides for the application of the amounts in the Capital Reserve Fund and in the Bond Service Fund to the payment, when due, of the principal or redemption price, if any, of and interest on the Bonds. Pursuant to the Second General Bond Resolution, such revenues, moneys and securities include each of the following: (i) all amounts received by the Corporation for deposit into the Bond Service Fund and into the Capital Reserve Fund, as payments from the Municipal Assistance Aid Fund established by the State Finance Law (Chapter 56 of said Consolidated Laws), which are required to be made only if and to the extent that moneys appropriated by the Legislature of the State of New York as per capita aid pursuant to Section 54 of the State Finance Law payable to The City of New York shall have been apportioned and paid into and be available in the Special Aid Account established within such Municipal Assistance Aid Fund for the Corporation; (ii) all amounts received by the Corporation for deposit into the Bond Service Fund and into the Capital Reserve Fund, as payments from the Municipal Assistance Tax Fund established by the State Finance Law, which are required to be made only if and to the extent that moneys from the sales and compensating use taxes as imposed by Section 1107 of Article 28 of the Tax Law (Chapter 60 of said Consolidated Laws) and, if required, the stock transfer tax imposed by Article 12 of said Tax Law, have been appropriated by the Legislature of the State of New York from the Special Tax Account established within such Municipal Assistance Tax Fund for the Corporation or that revenues shall have otherwise been made available therefor by the State of New York; (iii) all amounts received by the Corporation from the State of New York as payments for deposit into the Capital Reserve Fund (pursuant to the Act by certification annually on or before December 1 of the Chairman of the Governor and the Director of the Budget of the State of New York, of the amount necessary to restore the Capital Reserve Fund to its required
amount); and (iv) investment earnings of moneys in the Capital Reserve Fund and Bond Service Fund; provided, however, that pursuant to the Act any provision therein or in the Resolutions or in any other agreement between the Corporation and the holders of Bonds, relating to said per capita aid and taxes and such Municipal Assistance Aid Fund, the Special Aid Account, the Municipal Assistance Tax Fund, the Special Tax Account and the Stock Transfer Tax Fund established by the State Finance Law, 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 the State of New York shall incur no liability on account thereof beyond such moneys.

As provided in the Second General Bond Resolution, the Bonds may be issued from time to time pursuant to series resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Second General Bond Resolution. The aggregate principal amount of Bonds which may be issued pursuant to the Second General Bond Resolution is not limited except as provided in the Second General Bond Resolution or as may be limited by law and all Bonds issued and to be issued pursuant to the Second General Bond Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the Second General Bond Resolution.

This Bond is one of a series of Bonds designated “1976 Series 5 Bonds” (herein called the “1976 Series 5 Bonds”), issued in the aggregate principal amount of not in excess of $1,141,900,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation adopted May 18, 1976, entitled “1976 Series 5 Resolution Authorizing Not In Excess Of $1,141,900,000 1976 Series 5 Bonds” (said resolutions being herein collectively called the “Resolutions”), for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of the Trustee and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 1976 Series 5 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1976 Series 5 Bonds with respect thereto and the terms and conditions upon which the 1976 Series 5 Bonds are issued and may be issued thereunder.
To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto, may be modified or amended by the Corporation with the written consent of the holders of at least two-thirds in principal amount of the Bonds then Outstanding (as defined in the Second General Bond Resolution), or, in case less than all of the series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then Outstanding, or, in case of a Sinking Fund Installment (as defined in the Second General Bond Resolution) change, with such consent of the holders of at least two-thirds in principal amount of the Outstanding Bonds affected thereby; 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 the calculation of Outstanding Bonds.

This Bond is transferable by delivery except when registered as to principal otherwise than to bearer. It may be registered as to principal in the name of the owner on the books of the Corporation kept for that purpose at the corporate trust office of the Trustee, such registration to be noted hereon, after which no transfer hereof shall be valid unless made on said books by the registered owner in person, or by his attorney duly authorized in writing, and similarly noted hereon; but this Bond may be discharged from registration by being in like manner transferred to bearer, after which it shall again become transferable by delivery; and this Bond may again and from time to time be registered or discharged from registration in the same manner. Registration of this Bond shall not affect the negotiability of the coupons, which shall continue to be payable to bearer and transferable by delivery.

The 1976 Series 5 Bonds are issuable in the form of fully registered Bonds without coupons in the denomination of $1,000 or an integral multiple of $1,000, not exceeding the aggregate principal amount of the 1976 Series 5 Bonds. Coupon 1976 Series 5 Bonds, upon surrender thereof at the corporate trust office of the Trustee, with all unmatured coupons attached, may, at the option of the holder thereof, be exchanged for an equal aggregate principal amount of registered 1976 Series 5 Bonds of any
of the authorized denominations, in the manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions. In like manner, subject to such conditions and upon the payment of such charges, if any, registered 1976 Series 5 Bonds, when the aggregate principal amount thereof is $5,000 or an integral multiple of $5,000, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of 1976 Series 5 Bonds, with appropriate coupons attached, or of 1976 Series 5 Bonds without coupons of any other authorized denominations, provided, however, that in no event shall 1976 Series 5 Bonds be exchanged for an equal aggregate principal amount of 1976 Series 5 Bonds in the denomination of $1,000.

The 1976 Series 5 Bonds are subject to redemption in whole or in part, at the election of the Corporation, at the Redemption Price of one hundred per centum (100%) of the principal amount thereof, plus accrued interest, if any, to the date of redemption. Additionally, the 1976 Series 5 Bonds are subject to redemption, in part, by lot as provided in the Resolutions, on July 1 in each of the years and in the amounts determined as hereinafter specified set forth below, at the Redemption Price of one hundred per centum (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 July 1 of each of the years shown below the following principal amount of such 1976 Series 5 Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>$9,505,000</td>
<td>1987</td>
<td>$14,180,000</td>
</tr>
<tr>
<td>1983</td>
<td>10,295,000</td>
<td>1988</td>
<td>15,365,000</td>
</tr>
<tr>
<td>1984</td>
<td>11,155,000</td>
<td>1989</td>
<td>16,645,000</td>
</tr>
<tr>
<td>1985</td>
<td>12,085,000</td>
<td>1990</td>
<td>18,030,000</td>
</tr>
<tr>
<td>1986</td>
<td>13,090,000</td>
<td>1991</td>
<td>19,510,000</td>
</tr>
</tbody>
</table>

The Corporation may, at any time not prior to 12 months prior to an interest payment date on which a Sinking Fund Installment is scheduled to be due, but in no event less than 45 days prior to such date, direct the
Trustee to purchase, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase, 1976 Series 5 Bonds of the Corporation payable from such Sinking Fund Installment and apply any 1976 Series 5 Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 1976 Series 5 Bonds are to be redeemed, notice of such redemption (a) shall be given by publication once a week for at least two (2) successive weeks in a newspaper customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York, as provided in the Resolutions, the first such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, and (b) shall be mailed, postage prepaid, not less than thirty (30) days before the redemption date to the registered owners of any 1976 Series 5 Bonds or portions of the 1976 Series 5 Bonds to be redeemed, provided, however, that such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of the 1976 Series 5 Bonds. Notice of redemption having been given, as aforesaid, the 1976 Series 5 Bonds or portions thereof so called for redemption shall become due and payable at the applicable Redemption Price herein provided, and from and after the date so fixed for redemption, interest on the 1976 Series 5 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable and the coupons for interest appertaining to coupon 1976 Series 5 Bonds maturing subsequent to the redemption date shall be void.

The 1976 Series 5 Bonds shall not be a debt of either the State of New York or The City of New York, and neither the State of New York nor The City of New York shall be liable thereon, nor shall the 1976 Series 5 Bonds be payable out of any funds other than those of the Corporation.

This 1976 Series 5 Bond is fully negotiable for all purposes of the Uniform Commercial Code (Chapter 38 of said Consolidated Laws), and each holder or owner of this 1976 Series 5 Bond, or of any coupon appurtenant hereto, by accepting this 1976 Series 5 Bond or coupon shall be conclusively deemed to have agreed that this 1976 Series 5 Bond or coupon is fully negotiable for those purposes.
Neither this bond nor any coupons for interest thereon shall be entitled to any security, right or benefit under the Resolutions or be valid or obligatory for any purpose unless the certificate of authentication hereon has been duly executed by the Trustee.

Neither the Directors of the Corporation nor any person executing the 1976 Series 5 Bonds shall be subject to any personal liability or accountability by reason of the issuance thereof.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of New York and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 1976 Series 5 Bonds, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 1976 Series 5 Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK has caused this 1976 Series 5 Bond to be executed in its name by the manual or facsimile signature of its Chairman and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary and the interest coupons hereto attached to be executed by the facsimile signature of said Chairman, all as of the first day of July, 1976.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

Issue Date:

By..................................................
Chairman

[SEAL]

Attest:

...............................................
Secretary
CERTIFICATE OF AUTHENTICATION

This Bond is one of the 1976 Series 5 Bonds described in the within-mentioned Resolutions.

United States Trust Company
of New York, Trustee

By...................................................
Authorized Signature

(FORM OF COUPON)

No. ...................... $ ...................

The MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK on ................................., 1989 (unless the Bond hereinafter mentioned shall have been duly called for previous redemption and payment of the Redemption Price made or duly provided for) will pay to bearer the amount shown hereon in any coin or currency of the United States of America which, on the date of payment hereof, shall be legal tender for the payment of public and private debts, at the corporate trust office of United States Trust Company of New York, New York, New York, the Trustee, upon presentation and surrender of this coupon, being the interest then due on its 1976 Series 5 Bond, dated July 1, 1976, No. ..................................

By...................................................
Chairman, Municipal Assistance Corporation For The City of
New York

(Provisions for Registration)

(No writing below except by the Trustee as Registrar.)

<table>
<thead>
<tr>
<th>Date of Registration</th>
<th>Name of Registered Holder</th>
<th>Authorized Signature</th>
</tr>
</thead>
</table>
(Form of Registered 1976 Series 5 Bond)

No. $ 

Municipal Assistance Corporation
For the City of New York

1976 Series 5 Bond

The Municipal Assistance Corporation for the City of New York (herein and on the reverse side hereof sometimes called the "Corporation"), a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation, organized and existing under and pursuant to the laws of the State of New York, acknowledges itself indebted to, and for value received, hereby promises to pay to or registered assigns, upon presentation and surrender of this Bond, the principal sum of Dollars ($ ) on the first day of July 1991, unless redeemed prior thereto as hereinafter provided, and to pay to the registered owner hereof interest thereon from the Issue Date shown below to the date of maturity or earlier redemption of this Bond, at the rate of eight per centum (8%) per annum, payable on January 1, 1977 and semi-annually thereafter on July 1 and on January 1, in each year, until the Corporation's obligation with respect to the payment of such principal sum shall be discharged, at the corporate trust office in the City of New York, New York, of the Trustee hereinafter mentioned. Both principal and redemption premium, if any, of and interest on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of bonds of the Corporation designated as its "Bonds" (herein called the "Bonds"), issued and to be issued in various series under and pursuant to the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, said Acts being Titles I, II and III of Article 10 of the Public Authorities Law (Chapter 43-A of the Consolidated Laws of the State of New York), as amended (herein called the "Act") and under and pursuant to the resolution of the Corporation adopted
November 25, 1975, entitled “Second General Bond Resolution” (herein called the “Second General Bond Resolution”) and the series resolution authorizing each such series.

The Bonds are general obligations of the Corporation payable out of any payments to the Corporation pursuant to Section 3036 and 3036-a of the Act except for amounts pledged pursuant to the General Bond Resolution of the Corporation adopted July 2, 1975 (the “First General Bond Resolution”) and the note resolutions of the Corporation adopted on September 15, 1975 and November 17, 1975 (the “Outstanding Note Resolutions”) and the rights of the holders of the Bonds to such amounts are declared to be expressly subordinate to the rights of the holders of obligations issued pursuant to the First General Bond Resolution and the Outstanding Note Resolutions and any payments to the Corporation for credit to the Operating Fund as defined in and established pursuant to the First General Bond Resolution. The Bonds are entitled to a first lien created by the pledge under the Second General Bond Resolution of all revenues, moneys and securities in the Bond Service Fund and the Capital Reserve Fund (as defined therein). The Second General Bond Resolution provides for the application of the amounts in the Capital Reserve Fund and in the Bond Service Fund to the payment, when due, of the principal or redemption price, if any, of and interest on the Bonds. Pursuant to the Second General Bond Resolution, such revenues, moneys and securities include each of the following: (i) all amounts received by the Corporation for deposit into the Bond Service Fund and into the Capital Reserve Fund, as payments from the Municipal Assistance Aid Fund established by the State Finance Law (Chapter 56 of said Consolidated Laws), which are required to be made only if and to the extent that moneys appropriated by the Legislature of the State of New York as per capita aid pursuant to Section 54 of the State Finance Law payable to The City of New York shall have been apportioned and paid into and be available in the Special Aid Account established within such Municipal Assistance Aid Fund for the Corporation; (ii) all amounts received by the Corporation for deposit into the Bond Service Fund and into the Capital Reserve Fund, as payments from the Municipal Assistance Tax Fund established by the State Finance Law (Chapter 56 of said Consolidated Laws), which are required to be made only if and to the extent that moneys from the sales and compensating use taxes as imposed by Section 1107 of Article 28 of the Tax Law (Chapter 60 of said Consolidated Laws)
and, if required, the stock transfer tax imposed by Article 12 of said Tax Law, have been appropriated by the Legislature of the State of New York from the Special Tax Account established within such Municipal Assistance Tax Fund for the Corporation or that revenues shall have otherwise been made available therefor by the State of New York; (iii) all amounts received by the Corporation from the State of New York as payments for deposit into the Capital Reserve Fund (pursuant to the Act by certification annually on or before December 1, of the Chairman to the Governor and the Director of the Budget of the State of New York, of the amount necessary to restore the Capital Reserve Fund to its required amount); and (iv) investment earnings of moneys in the Capital Reserve Fund and Bond Service Fund; provided, however, that pursuant to the Act any provision therein or in the Resolutions or in any other agreement between the Corporation and the holders of Bonds relating to said per capita aid, taxes and such Municipal Assistance Aid Fund, the Special Aid Account, the Municipal Assistance Tax Fund, the Special Tax Account and the Stock Transfer Tax Fund established by the State Finance Law, 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 the State of New York shall incur no liability on account thereof beyond such moneys.

As provided in the Second General Bond Resolution, the Bonds may be issued from time to time pursuant to series resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Second General Bond Resolution. The aggregate principal amount of Bonds which may be issued pursuant to the Second General Bond Resolution is not limited except as provided in the Second General Bond Resolution or as may be limited by law and all Bonds issued and to be issued pursuant to the Second General Bond Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the Second General Bond Resolution.

This Bond is one of a series of Bonds designated “1976 Series 5 Bonds” (herein called the “1976 Series 5 Bonds”), issued in the aggregate principal amount of not in excess of $1,141,900,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation, adopted May 18, 1976, entitled “1976 Series 5 Resolution Authorizing Not In Excess Of
$1,141,900,000 1976 Series 5 Bonds" (said resolutions being herein collectively called the "Resolutions"), for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York, as trustee under the Second General Bond Resolution (said trustee and any successor thereto under the Second General Bond Resolution being herein called the "Trustee"), and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 1976 Series 5 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1976 Series 5 Bonds with respect thereto and the terms and conditions upon which the 1976 Series 5 Bonds are issued and may be issued thereunder.

To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto, may be modified or amended by the Corporation with the written consent of the holders of at least two-thirds in principal amount of the Bonds then Outstanding (as defined in the Second General Bond Resolution), or, in case less than all of the series of Bonds would be affected thereby, with such consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then Outstanding, or, in case of a Sinking Fund Installment (as defined in the Second General Bond Resolution) change, with such consent of the holders of at least two-thirds in principal amount of the Outstanding Bonds affected thereby; 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 purposes of the calculation of Outstanding Bonds.

This Bond is transferable as provided in the Resolutions, only upon the books of the Corporation kept for that purpose at the corporate trust office of the Trustee, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such duly authorized attorney, and thereupon the Corporation shall issue in the name of the transferee a new registered 1976
Series 5 Bond or Bonds or, at the option of the transferee, a coupon 1976 Series 5 Bond or Bonds with appropriate coupons attached, of the same aggregate principal amount and interest rate as the surrendered 1976 Series 5 Bond, as provided in the Resolutions and upon the payment of the charges, if any, therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this 1976 Series 5 Bond is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes whatsoever.

The 1976 Series 5 Bonds are issuable in the form of registered bonds without coupons in the denomination of $1,000 or an integral multiple of $1,000, not exceeding the aggregate principal amount of the 1976 Series 5 Bonds. Registered 1976 Series 5 Bonds, when the aggregate principal amount thereof is $5,000 or an integral multiple of $5,000, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of 1976 Series 5 Bonds of $5,000 each, with appropriate coupons attached or of 1976 Series 5 Bonds without coupons of any other authorized denominations, in the manner, subject to the conditions and upon the payment of the charges, if any, provided in the Resolution. In like manner, subject to such conditions and upon the payment of such charges, if any, coupon 1976 Series 5 Bonds upon surrender thereof at the corporate trust office of the Trustee, with all unmatured coupons attached, may, at the option of the holder thereof, be exchanged for an equal aggregate principal amount of registered 1976 Series 5 Bonds of any of the authorized denominations, provided, however, that in no event shall 1976 Series 5 Bonds be exchanged for an equal aggregate principal amount of 1976 Series 5 Bonds in the denomination of $1,000.

The 1976 Series 5 Bonds are subject to redemption in whole or in part, at the election of the Corporation, at the Redemption Price of one hundred per centum (100%) of the principal amount thereof, plus accrued interest, if any, to the date of redemption. Additionally, the 1976 Series 5 Bonds are subject to redemption, in part, by lot as provided in the Resolutions, on July 1 in each of the years and in the amounts determined as hereinafter specified, at the Redemption Price of one hundred per centum (100%) of
the principal amount thereof, plus accrued interest to the date of redemp-
tion, from mandatory Sinking Fund Installments which are required to be
made in amounts sufficient to redeem on July 1 of each of the years shown
below the following principal amounts of such 1976 Series 5 Bonds:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>$ 9,505,000</td>
<td>1987</td>
<td>$14,180,000</td>
</tr>
<tr>
<td>1983</td>
<td>10,295,000</td>
<td>1988</td>
<td>15,365,000</td>
</tr>
<tr>
<td>1984</td>
<td>11,155,000</td>
<td>1989</td>
<td>16,645,000</td>
</tr>
<tr>
<td>1985</td>
<td>12,085,000</td>
<td>1990</td>
<td>18,030,000</td>
</tr>
<tr>
<td>1986</td>
<td>13,090,000</td>
<td>1991</td>
<td>19,510,000</td>
</tr>
</tbody>
</table>

The Corporation may, at any time not prior to 12 months prior to an
interest payment date on which a Sinking Fund Installment is scheduled to
be due, but in no event less than 45 days prior to such date, direct the
Trustee to purchase, at a price not in excess of par, plus unpaid interest
accrued to the date of such 1976 Series 5 Bonds of the Corporation payable
from such Sinking Fund Installment and apply any 1976 Series 5 Bonds so
purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 1976 Series 5 Bonds are to be
redeemed, notice of such redemption (a) shall be given by publication once
a week for at least two (2) successive weeks in a newspaper customarily
published at least once a day for at least five (5) days (other than legal
holidays) in each calendar week, printed in the English language and of
general circulation in the Borough of Manhattan, City and State of New
York, as provided in the Resolutions, the first such publication to be not less
than thirty (30) days nor more than sixty (60) days prior to the redemption
date, and (b) shall be mailed, postage prepaid, not less than thirty (30)
days before the redemption date to the registered owners of any 1976 Series
5 Bonds or portions of the 1976 Series 5 Bonds to be redeemed, provided,
however, that such mailing shall not be a condition precedent to such
redemption and failure so to mail any such notice shall not affect the validity
of the proceedings for the redemption of the 1976 Series 5 Bonds. Notice of
redemption having been given, as aforesaid, the 1976 Series 5 Bonds or
portions thereof so called for redemption shall become due and payable at
the applicable Redemption Price hereinabove provided and, from and after
the date so fixed for redemption, interest on the 1976 Series 5 Bonds, or
portions thereof so called for redemption, shall cease to accrue and become
payable, and the coupons for interest appertaining to coupon 1976 Series 5
Bonds maturing subsequent to the redemption date shall be void.

The 1976 Series 5 Bonds shall not be a debt of either the State of New
York or The City of New York, and neither the State of New York nor The
City of New York shall be liable thereon, nor shall the 1976 Series 5 Bonds
be payable out of any funds other than those of the Corporation.

This bond shall not be entitled to any security, right or benefit under the
Resolutions or be valid or obligatory for any purpose unless the certificate of
authentication hereon has been duly executed by the Trustee.

Neither the Directors of the Corporation nor any person executing the
1976 Series 5 Bonds shall be subject to any personal liability or account-
ability by reason of the issuance thereof.

It is hereby certified, recited and declared that all acts, condi-
tions and things required by the Constitution and statutes of the State of
New York and the Resolutions to exist, to have happened and to have been
performed precedent to and in the issuance of this 1976 Series 5 Bond, exist,
have happened and have been performed in due time, form and manner as
required by law and that the issue of the 1976 Series 5 Bonds, together will
all other indebtedness of the Corporation, is within every debt and other
limit prescribed by law.
IN WITNESS WHEREOF, the MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK has caused this 1976 Series 5 Bond to be executed in its name by the manual or facsimile signature of its Chairman and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, all as of the day of

Issue Date:

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By .........................................................

Chairman

[seal]

Attest:

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

Secretary
CERTIFICATE OF AUTHENTICATION

This Bond is one of the 1976 Series 5 Bonds described in the within-mentioned Resolutions.

UNITED STATES TRUST COMPANY
OF NEW YORK, Trustee

By.............................................
Authorized Signature

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received the undersigned hereby sells, assigns, and transfers unto
........................................................................................................................................
(Please print or typewrite name and address of transferee)
the within 1976 Series 5 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints
................................................................................................. Attorney

to transfer the within 1976 Series 5 Bond on the books kept for registration thereof, with full power of substitution in the premises.

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

Dated: ........................................

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within 1976 Series 5 Bond in every particular, without alteration or enlargement or any change whatever.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
1976 SERIES 5 BOND

THE MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK (herein and on the reverse side hereof sometimes called the "Corporation"), a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation, organized and existing under and pursuant to the laws of the State of New York, acknowledges itself indebted to, and for value received, hereby promises to pay to .................................................................$ ........................................
or registered assigns, upon presentation and surrender of this Bond, the principal sum of .................................................................$ ........................................

........................................... DOLLARS ($ .................) on the first day of July 1991, unless redeemed prior thereto as hereinafter provided, and to pay to the registered owner hereof interest thereon from the Issue Date shown below to the date of maturity or earlier redemption of this Bond, at the rate of eight per centum (8%) per annum, payable on January 1, 1977 and semi-annually thereafter on July 1 and on January 1, in each year until the Corporation's obligation with respect to the payment of such principal sum shall be discharged, at the corporate trust office in the City of New York, New York, of the Trustee hereinafter mentioned. Both principal and redemption premium, if any, of and interest on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts.

The terms and provisions of this Bond are continued on the reverse side hereof and such continued terms and provision shall for all purposes have the same effect as though fully set forth at this place.

The Bonds of the Series of which this Bond is one (herein and on the reverse side hereof designed "1976 Series 5 Bonds") shall not be a debt of
either the State of New York or The City of New York, and neither the State of New York nor The City of New York shall be liable thereon, nor shall the 1976 Series 5 Bonds be payable out of any funds other than those of the Corporation.

This 1976 Series 5 Bond shall not be entitled to any security, right or benefit under the Resolutions (as defined on the reverse side hereof) or be valid or obligatory for any purpose unless the certificate of authentication hereon has been duly executed by the Trustee.

Neither the Directors of the Corporation nor any person executing the 1976 Series 5 Bonds shall be subject to any personal liability or accountability by reason of the issuance thereof.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of New York and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 1976 Series 5 Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 1976 Series 5 Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

In Witness Whereof, the Municipal Assistance Corporation for The City of New York has caused this 1976 Series 5 Bond to be executed in its name by the manual or facsimile signature of its Chairman and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, all as of July 1, 1976.

Municipal Assistance Corporation
for The City of New York

Issue Date:

By........................................
Chairman

[SEAL]

Attest:

........................................
Secretary
CERTIFICATE OF AUTHENTICATION

This Bond is one of the 1976 Series 5 Bonds described in the within-mentioned Resolutions.

UNITED STATES TRUST COMPANY
OF NEW YORK, Trustee

By................................................
Authorized Signature

[Reverse Alternative Form of Registered 1976 Series 5 Bond]

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1976 SERIES 5 BOND

8% Due July 1, 1991

This Bond is one of a duly authorized issue of bonds of the Corporation designated as its “Bonds” herein so referred to, issued and to be issued in various series under and pursuant to the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation for the city of New York Act, said Acts being Titles I, II and III of Article 10 of the Public Authorities Law (Chapter 43-A of the Consolidated Laws of the State of New York), as amended (herein called the “Act”) and under and pursuant to the resolution of the Corporation adopted November 25, 1975, entitled “Second General Bond Resolution” herein so referred to, and the series resolution authorizing each such series.

The Bonds are general obligations of the Corporation payable out of any payments to the Corporation pursuant to Section 3036 and 3036-a of the Act except for amounts pledged pursuant to the General Bond Resolution of the Corporation adopted July 2, 1975 (the “First General Bond Resolution”) and the note resolutions of the Corporation adopted on September 15, 1975 and November 17, 1975 (the “Outstanding Note Resolutions”)
and the rights of the holders of the Bonds to such amounts are declared to be expressly subordinate to the rights of the holders of obligations issued pursuant to the First General Bond Resolution and the Outstanding Note Resolutions and any payments to the Corporation for credit to the Operating Fund as defined in and established pursuant to the First General Bond Resolution. The Bonds are entitled to a first lien created by the pledge under the Second General Bond Resolution of all revenues, moneys and securities in the Bond Service Fund and the Capital Reserve Fund (as defined therein). The Second General Bond Resolution provides for the application of the amounts in the Capital Reserve Fund and in the Bond Service Fund to the payment, when due, of the principal or redemption price, if any, of and interest on the Bonds. Pursuant to the Second General Bond Resolution, such revenues, moneys and securities include each of the following: (i) all amounts received by the Corporation for deposit into the Bond Service Fund and into the Capital Reserve Fund, as payments from the Municipal Assistance Aid Fund established by the State Finance Law (Chapter 56 of said Consolidated Laws), which are required to be made only if and to the extent that moneys appropriated by the Legislature of the State of New York as per capita aid pursuant to Section 54 of the State Finance Law payable to The City of New York shall have been apportioned and paid into and be available in the Special Aid Account established within such Municipal Assistance Aid Fund for the Corporation; (ii) all amounts received by the Corporation for deposit into the Bond Service Fund and into the Capital Reserve Fund, as payments from the Municipal Assistance Tax Fund established by the State Finance Law (Chapter 56 of said Consolidated Laws), which are required to be made only if and to the extent that moneys from the sales and compensating use taxes as imposed by Section 1107 of Article 28 of the Tax Law (Chapter 60 of said Consolidated Laws) and, if required, the stock transfer tax imposed by Article 12 of said Tax Law, have been appropriated by the Legislature of the State of New York from the Special Tax Account established within such Municipal Assistance Tax Fund for the Corporation or that revenues shall have otherwise been made available therefor by the State of New York; (iii) all amounts received by the Corporation from the State of New York as payments for deposit into the Capital Reserve Fund (pursuant to the Act by certification annually on or before December 1, of the Chairman to the Governor and the Director of the Budget of the State of New York, of the amount necessary to restore the Capital Reserve Fund to its required amount); and
(iv) investment earnings of moneys in the Capital Reserve Fund and Bond Service Fund; provided, however, that pursuant to the Act any provision therein or in the Resolutions or in any other agreement between the Corporation and the holders of Bonds relating to said per capita aid, taxes and such Municipal Assistance Aid Fund, the Special Aid Account, the Municipal Assistance Tax Fund, the Special Tax Account and the Stock Transfer Tax Fund established by the State Finance Law, 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 the State of New York shall incur no liability on account thereof beyond such moneys.

The Bonds may be issued from time to time in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Second General Bond Resolution. The aggregate principal amount of Bonds which may be issued pursuant to the Second General Bond Resolution is not limited except as provided therein or as may be limited by law and all Bonds issued and to be issued pursuant to the Second General Bond Resolution are and will be equally secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the Second General Bond Resolution.

This Bond is one of a series of Bonds designated “1976 Series 5 Bonds” (herein called the “1976 Series 5 Bonds”), issued in the aggregate principal amount of not in excess of $1,141,900,000 pursuant to the Second General Bond Resolution and the series resolution of the Corporation, adopted May 18, 1976 (said resolutions being herein collectively called the “Resolutions”), for purposes authorized by the Act. Copies of the Resolutions are on file at the office of the Corporation and at the corporate trust office of United States Trust Company of New York, in the Borough of Manhattan, City and State of New York, as trustee under the Second General Bond Resolution (said trustee and any successor thereto being herein referred to as the “Trustee”), and reference to the Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 1976 Series 5 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1976 Series 5 Bonds with respect thereto and the terms and conditions upon which the 1976 Series 5 Bonds are issued and may be issued thereunder.
To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto, may be modified or amended by the Corporation with the written consent of the holders of at least two-thirds in principal amount of the Bonds of each series so affected then Outstanding, or, in case of a Sinking Fund Installment (as defined in the Second General Bond Resolution) change, with such consent of the holders of at least two-thirds in principal amount of the outstanding Bonds affected thereby; 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 the calculation of Outstanding Bonds.

This Bond is transferable as provided in the Resolutions, only upon the books of the Corporation kept for that purpose at the corporate trust office of the Trustee, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such duly authorized attorney, and thereupon the Corporation shall issue in the name of the transferee a new registered 1976 Series 5 Bond or Bonds or, at the option of the transferee, a 1976 Series 5 Bond or Bonds of the denomination of $5,000 each with appropriate coupons attached, of the same aggregate principal amount and interest rate as the surrendered 1976 Series 5 Bond, as provided in the Resolutions and upon the payment of the charges, if any, therein prescribed. The Corporation and Trustee may treat and consider the person in whose name this 1976 Series 5 Bond is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes whatsoever.

The 1976 Series 5 Bonds are issuable in the form of registered Bonds without coupons in the denomination of $1,000, or an integral multiple of $1,000, not exceeding the aggregate principal amount of the 1976 Series 5 Bonds. Registered 1976 Series 5 Bonds, when the aggregate principal amount thereof is $5,000 or an integral multiple of $5,000, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner
or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for equal aggregate principal amount of 1976 Series 5 Bonds of $5,000 each, with appropriate coupons attached or of 1976 Series 5 Bonds without coupons of any other authorized denominations, in the manner, subject to the conditions and upon the payment of the charges, if any, provided in the Resolution. In like manner, subject to such conditions and upon the payment of such charges, if any, coupon 1976 Series 5 Bonds upon surrender thereof at the corporate trust office of the Trustee, with all unmatured coupons attached, may, at the option of the holder thereof, be exchanged for an equal aggregate principal amount of registered 1976 Series 5 Bonds of any of the authorized denominations provided, however, that in no event shall 1976 Series 5 Bonds be exchanged for an equal aggregate principal amount of 1976 Series 5 Bonds in the denomination of $1,000.

The 1976 Series 5 Bonds are subject to redemption in whole or in part, at the election of the Corporation, at the Redemption Price of one hundred per centum (100%) of the principal amount thereof, plus accrued interest, if any, to the date of redemption. Additionally, the 1976 Series 5 Bonds are subject to redemption, in part, by lot as provided in the Resolutions, on July 1 in each of the years and in the amounts determined as hereinafter specified, at the Redemption Price of one hundred per centum (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 July 1 in each of the years shown below the following percentages of the principal amount of such 1976 Series 5 Bonds outstanding as of the date of original issue of the 1976 Series 5 Bonds, provided that in each such year the amount so redeemed shall be equal to the next highest integral multiple of $5,000 and provided further, that the total amount so redeemed shall not exceed the principal amount of 1976 Series 5 Bonds outstanding as of such date of original issue:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>6.7946%</td>
<td>1987</td>
<td>10.1383%</td>
</tr>
<tr>
<td>1983</td>
<td>7.3608%</td>
<td>1988</td>
<td>10.9832%</td>
</tr>
<tr>
<td>1984</td>
<td>7.9741%</td>
<td>1989</td>
<td>11.8984%</td>
</tr>
<tr>
<td>1985</td>
<td>8.6384%</td>
<td>1990</td>
<td>12.8898%</td>
</tr>
<tr>
<td>1986</td>
<td>9.3584%</td>
<td>1991</td>
<td>13.9640%</td>
</tr>
</tbody>
</table>
The Corporation may, at any time not prior to 12 months prior to an interest payment date on which a Sinking Fund Installment is scheduled to be due, but in no event less than 45 days prior to such date, direct the Trustee to purchase, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase, 1976 Series 5 Bonds of the Corporation payable from such Sinking Fund Installment and apply any 1976 Series 5 Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 1976 Series 5 Bonds are to be redeemed, notice of such redemption (a) shall be given by publication once a week for at least 2 successive weeks in a newspaper customarily published at least once a day for at least 5 days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York, as provided in the Resolutions, the first such publication to be not less than 30 days nor more than 60 days prior to the redemption date, and (b) shall be mailed, postage prepaid, not less than thirty (30) days before the redemption date to the registered owners of any 1976 Series 5 Bonds or portions of the 1976 Series 5 Bonds to be redeemed, provided, however, that such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of the 1976 Series 5 Bonds. Notice of redemption having been given, as aforesaid, the 1976 Series 5 Bonds or portions thereof so called for redemption shall become due and payable at the applicable Redemption Price hereinabove provided and, from and after the date so fixed for redemption, interest on the 1976 Series 5 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1976 Series 5 Bonds maturing subsequent to the redemption date shall be void.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations (additional abbreviations may also be used though not in the following list):

- TEN COM — as tenants in common
- TEN ENT — as tenants by the entireties
- JT TEN — as joint tenants with right of survivorship and not as tenants in common
- UNIF GIFT MIN ACT — Custodian
- (Cust) (Minor)
- Under Uniform Gifts to Minors Act
- (State)
FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

Please Insert Social Security or Other Identifying Number of Assignee
(For computer record only)

Please Print or Typewrite Name and Address of Transferee

the within 1976 Series 5 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within 1976 Series 5 Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated:

__________________________________________________________________

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within 1976 Series 5 Bond in every particular, without alteration or enlargement or any change whatever.

SECTION 302. No Recourse on 1976 Series 5 Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the 1976 Series 5 Bonds or for any claim based thereon or on the 1976 Series 5 Resolution against any member or officer of the Corporation or any person executing the 1976 Series 5 Bonds and neither the Directors of the Corporation nor any other person executing the 1976 Series 5 Bonds of the Corporation shall be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 303. Execution and Authentication of 1976 Series 5 Bonds. Pursuant to the provisions of Section 303 of the Resolution, the Chairman of the Corporation is hereby authorized and directed to execute by his manual or facsimile signature the 1976 Series 5 Bonds in the name of the
Corporation and the corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon. The Secretary or an Assistant Secretary of the Corporation is hereby authorized and directed to attest by his manual or facsimile signature the execution of the 1976 Series 5 Bonds.

The Trustee is hereby authorized to authenticate by manual or facsimile signature the 1976 Series 5 Bonds, and deliver the same to or upon the order of the Corporation, in such amounts and at such times as the Trustee shall be directed in writing by an Authorized Officer.

ARTICLE IV

MISCELLANEOUS

SECTION 401. When Effective. This 1976 Series 5 Resolution shall become effective immediately upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
2 WORLD TRADE CENTER
NEW YORK, NEW YORK

June 30, 1976

Honorable Arthur Levitt
Comptroller of the State of New York
Alfred E. Smith Building
Albany, New York

Dear Mr. Comptroller:

Pursuant to the exchange offer of this Corporation made on May 21, 1976, the holders of certain short-term obligations of The City of New York have offered to exchange such obligations for bonds of the Corporation in the aggregate amount and on the terms set forth in Schedule X attached hereto.

Your approval of this exchange pursuant to Section 3012 (1)(e) of the Municipal Assistance Corporation Act, as amended, is respectfully requested.

We further hereby respectfully request your approval, pursuant to Section 3013(4) of the New York State Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, being Title I, II and III of Article 10 of the Public Authorities Law, of the system of accounts of the Corporation to the extent same are prescribed in the Second General Bond Resolution of the Corporation, adopted November 25, 1975, and the 1976 Series 5 Bond Resolution of the Corporation, adopted May 18, 1976.

Your approval is respectfully requested.

Very truly yours,

[Signature]

The exchange of the above-described bonds of the Municipal Assistance Corporation For The City of New York upon the terms above described and the system of accounts of the Corporation to the extent same are prescribed in the Second General Bond Resolution and the 1976 Series 5 Bond Resolution of the Corporation, are hereby approved.

[Signature]

Arthur Levitt, Comptroller of the State of New York

Dated: June 30, 1976
SCHEDULE X

1976 Series 5 Bonds (the "1976 Bonds"): offered in exchange for up to $500,000,000 of certain notes of The City of New York (the "City"). Principal amount to be delivered $139,860,000.

The 1976 Bonds shall bear interest from June 21, 1976 at the rate of 8% per annum, payable semi-annually on the first day of January and July of each year, commencing January 1, 1977 until maturity on July 1, 1991. Each 1976 Bond is subject to redemption at the election of the Corporation, in whole or in part at any time, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption.

The 1976 Bonds are further subject to redemption, in part, by lot, on July 1 of each year commencing July 1, 1982, from mandatory "Sinking Fund Installments" (as defined in the Second General Bond Resolution) at a redemption price of 100% of the principal amount thereof plus accrued interest to date of redemption.
ORDER AS TO DELIVERY AND
AUTHENTICATION OF BONDS

June 30, 1976

United States Trust Company
of New York, as Trustee
130 John Street
New York, New York 10038

Gentlemen:

We have heretofore delivered to you, duly printed
and executed, $139,860,000 principal amount of 1976 Series
5 Bonds, in definitive form (the "Bonds"), of the Municipal
Assistance Corporation For The City of New York (the "Corpora-
tion") authorized pursuant to the Second General Bond
Resolution adopted November 25, 1975, (herein called "General
Resolution") and the 1976 Series 5 Resolution of the Corpora-
tion adopted May 18, 1976, and to be delivered in connection
with the Exchange Offer of the Corporation described in the

You are hereby requested, authorized and ordered
to authenticate the Bonds and when so authenticated to
deliver them, upon receipt of the documents and opinions
which together with this order constitute all the conditions
precedent to the delivery of the Bonds pursuant to the
General Resolution and the receipt by you of the
Exchange Agent's acknowledgment of receipt of notes of The
City of New York, to the Exchange Agent for delivery in
accordance with the provisions of the Exchange Offer.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By

[Signature]
ARBITRAGE CERTIFICATE

I, JAMES R. KEEGAN, being the Secretary of the 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 existing under the laws of the State of New York (hereinafter called the "Issuer") DO HEREBY CERTIFY with respect to the issuance of the 1976 Series 5 Bonds of the Issuer as more fully described in Schedule X attached hereto (hereinafter collectively called the "Bonds"), dated as of July 1, 1976 (a) that this certification is made in accordance with Section 1.103-13(a)(2)(ii) of the proposed regulations published in the Federal Register on May 3, 1973 relating to "arbitrage bonds" under Section 103(d) of the Internal Revenue Code of 1954, as amended, and is executed and delivered as part of the record of proceedings and accompanying certificates with respect to and on the date of issue of the Bonds and (b) that I am one of the officers of the Issuer charged by the Second General Bond Resolution, adopted November 25, 1975, and the 1976 Series 5 Resolution, adopted May 18, 1976, of the Issuer with responsibility for issuing the Bonds and as such I am such an official as is referred to in Section 1.103-13(a)(2)(ii) of said proposed regulations whose certification may be relied upon as the certification of the Issuer, and I DO HEREBY FURTHER CERTIFY and reasonably expect as of the date of issue of the Bonds that:

1. All of the Bonds will be exchanged for an equivalent principal amount of short-term obligations of The City of New York (the "City") as set forth in Schedule X, all of which obligations are obligations described in Section 103(a)(1) of the Internal Revenue Code of 1954, as amended;

2. The obligations acquired from the City will not be sold or otherwise disposed of other than as described in paragraph (3) hereof, in whole or in part, prior to the maturity or prepayment of the Bonds; and

3. Any funds received from the City in payment of principal on the short-term obligations of the City will, within six months of the receipt of such funds, be used to pay principal of or interest on the Bonds, and if any such funds cannot be so used within six months of the date of their receipt, they will be invested after such six-month period in a manner which will not cause the Bonds to be "arbitrage bonds."

On the basis of the foregoing, it is not expected that the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" under Section 103(d) of the Internal Revenue
Code of 1954, as amended, and the regulations prescribed under that Section. To the best of my knowledge and belief there are no other facts, estimates or circumstances that would materially change the foregoing conclusion.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 30th day of June, 1976, being the date of delivery of the Bonds referred to herein.

______________________________
James R. Keegan
June 30, 1976

Municipal Assistance Corporation
For The City of New York
New York, New York

Dear Sirs:

We have reviewed the accompanying arbitrage certificate of James R. Keegan, Secretary of the 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 (hereinafter called the "Corporation"), relating to the reasonable expectation as of the date of issuance of the 1976 Series 5 Bonds of the Corporation, dated July 1, 1976 (hereinafter called the "Bonds"), that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 103(d)(2) of the Internal Revenue Code of 1954, as amended.

Based upon our examination of law and review of such certification, it is our opinion that the facts, estimates and circumstances set forth in such certification are sufficient to satisfy the criteria which are necessary under said Section 103(d), and Sections 1.103-13 and 1.103-14 of the proposed regulations thereunder, published in the Federal Register of May 3, 1973 as amended by the proposed regulations published in the Federal Register on December 3, 1975, to support the conclusion that the Bonds will not be "arbitrage bonds" within the meaning of said Section of the Code. No matters have come to our attention which, in our opinion, make unreasonable or incorrect the representations made in such certification.

Very truly yours,

[Signature]

Hawkins, Delafield & Wood
SCHEDULE X

1976 Series 5 Bonds (the "1976 Bonds"): offered in exchange for up to $500,000,000 of certain notes of The City of New York (the "City"). Principal amount to be delivered $139,860,000.

The 1976 Bonds shall bear interest from June 21, 1976 at the rate of 8% per annum, payable semi-annually on the first day of January and July of each year, commencing January 1, 1977 until maturity on July 1, 1991. Each 1976 Bond is subject to redemption at the election of the Corporation, in whole or in part at any time, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption.

The 1976 Bonds are further subject to redemption, in part, by lot, on July 1 of each year commencing July 1, 1982, from mandatory "Sinking Fund Installments" (as defined in the Second General Bond Resolution) at a redemption price of 100% of the principal amount thereof plus accrued interest to date of redemption.
June 30, 1976

United States Trust Company
of New York, as Trustee under the Second
General Bond Resolution of the Municipal
Assistance Corporation For The City of New York
130 John Street
New York, New York 10038

Gentlemen:

We have delivered to the Municipal Assistance Cor-
nporation For The City of New York an opinion dated the date
hereof, with respect to the issuance of 1976 Series 5 Bonds
of the Corporation, a copy of which is annexed hereto. You
are entitled to rely on said opinion as if the same were ad-
dressed to you.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
June 30, 1976

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

Gentlemen:

We have been requested by the 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 the Corporation our opinion as to the matters herein set forth in connection with the issuance of $139,860,000 aggregate principal amount of the Corporation's 1976 Series 5 Bonds (the "Bonds") to persons who have tendered certain revenue anticipation notes and bond anticipation notes of The City of New York (the "City Notes") pursuant to the offer of the Corporation to exchange with holders of up to $500,000,000 principal amount of City Notes, its Bonds in an aggregate principal amount equal to such aggregate principal amount of the City Notes tendered thereunder.

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, as amended to date (the "Act"), the Official Statement of the Corporation dated May 21, 1976 with respect to the Bonds (the "Official Statement"), the By-laws of the Corporation and records of its corporate proceedings, including the Second General Bond Resolution, which was adopted by the Board of Directors of the Corporation (the "Board"), on November 25, 1975, and the 1976 Series 5 Resolution, which was adopted by the Board on May 18, 1976 (the "Resolutions") 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 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 issuance of the Bonds has been duly authorized by proper corporate proceedings of the Corporation. The Resolutions have been duly and lawfully adopted by the Corporation and 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 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 of such Resolutions may be limited by bankruptcy, moratorium or similar laws validly enacted and applicable to the rights of holders of Bonds.

5. The delivery and receipt of the Bonds and the Resolutions 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 to which the Corporation is subject or by which it is bound.

6. Except as set forth in the Official Statement or otherwise disclosed to you in writing at the time of the closing of the issuance of the Bonds, to the best of our knowledge there is no action, suit, proceeding or investigation at law or in equity before or by any public board or body pending against the Corporation wherein an unfavorable decision,
ruling or finding would in any way adversely affect provisions for the payment of principal of or interest on the Bonds or the validity of the Bonds or the Resolutions.

7. The issuance of the Bonds is 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 exempted securities within the meaning of the Securities Exchange Act of 1934, as amended.

8. To the best of our knowledge, the Official Statement as of the date thereof, does not contain any untrue statement of a material fact or, as of such date, omit any statement of a material fact necessary to make the Official Statement and the statements and information therein contained, not misleading as of such date.

All opinions rendered herein relating to the effect of the Constitution of the State of New York, or state or local finance laws, upon the validity, binding effect or enforceability of the Resolutions or the Bonds are rendered in reliance upon the opinion of Hawkins, Delafield & Wood, Bond Counsel to the Corporation, of even date herewith addressed to the Corporation 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,

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
United States Trust Company of New York
as Exchange Agent in connection with the exchange offer of the Municipal Assistance Corporation For The City of New York described herein
130 John Street
New York, New York 10038

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 the Irrevocable Letter of Instructions to Exchange Agent dated May 21, 1976 (the "Agreement"), in which the Corporation appointed you Exchange Agent in connection with its offer to exchange its 1976 Series 5 Bonds (the "Bonds") issued pursuant to the Second General Bond Resolution of the Corporation, adopted on November 25, 1975, and the 1976 Series 5 Bond Resolution of the Corporation, adopted on May 18, 1976 (the "Resolutions"), for certain short-term notes of The City of New York.
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, as amended to date (the "Act"), the By-laws of the Corporation, records of its corporate proceedings, including the Resolutions, and the Agreement, 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 execution and delivery of the Agreement by the Corporation and the performance by the Corporation of its obligations under the Agreement 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, moratorium or similar laws. The Resolutions relating to the Bonds adopted by the Board of Directors of the Corporation have been duly and lawfully adopted by the Corporation and all 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, and no other authorization for, or filing or recording of, such Resolutions is required.
2. The execution and delivery of the Agreement 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 to which the Corporation is subject or by which it is bound.

All opinions rendered herein relating to the effect of the Constitution of the State of New York, or state or local finance laws, upon the validity, binding effect or enforceability of the Resolutions and the Bonds are rendered in reliance upon the opinion of Hawkins, Delafield & Wood, Bond Counsel to the Corporation, of even date herewith addressed to the Corporation 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,

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
June 30, 1976

United States Trust Company
of New York
130 John Street
New York, New York 10038

Dear Sirs:

We have delivered to the Municipal Assistance Corpora-
tion For The City of New York our approving opinion with respect
to the $139,860,000 1976 Series 5 Bonds of the Corporation, which
opinion is dated the date hereof, a copy of which is annexed
hereeto.

You are entitled to rely on said opinion as if the same
were addressed to you.

Very truly yours,

[Signature]

Hawkins, Delafield & Wood
June 30, 1976

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 $139,860,000 aggregate principal amount of 1976 Series 5 Bonds (the “1976 Series 5 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 1976 Series 5 Bonds are authorized and issued under and pursuant to the Act and the Second General Bond Resolution of the Corporation (the “Second General Bond Resolution”) adopted November 25, 1975 and the 1976 Series 5 Resolution (the “Series Resolution”) adopted May 18, 1976. Said resolutions are herein collectively called the “Resolutions”.

The 1976 Series 5 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 Second 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 Second General Bond Resolution or as may be limited by law. The 1976 Series 5 Bonds are being issued for the purpose of effecting an exchange of such 1976 Series 5 Bonds for an equal aggregate principal amount of certain short-term obligations of The City of New York, New York (“The City”).

The Corporation is authorized to issue Bonds, in addition to the 1976 Series 5 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1976 Series 5 Bonds and with all other such Bonds (in an aggregate principal amount of $458,275,000) theretofore issued, be entitiled to the equal benefit, protection and security of the provisions, covenants and agreements of the Second General Bond Resolution. The Corporation has issued other bonds under a first general bond resolution (in an aggregate principal amount of $3,078,685,000) and other obligations (in an aggregate principal amount of $273,500,000) subordinate thereto. The Bonds are not on a parity with such bonds and other obligations.

The 1976 Series 5 Bonds are dated July 1, 1976 except as otherwise provided in the Resolutions with respect to fully registered 1976 Series 5 Bonds and will mature on July 1, 1991 and will bear interest from June 21, 1976, payable January 1, 1977 and July 1, 1977 and semi-annually thereafter on January 1 and July 1 in each year until the Corporation’s obligation with respect to the principal thereof shall be discharged, but only with respect to interest due on or before the maturity of coupon 1976 Series 5 Bonds according to the tenor and upon presentation and surrender of the attached coupons as they respectively become due and payable, at the rate of eight per centum (8%) per annum.

The 1976 Series 5 Bonds are issued initially in fully registered form without coupons in the denominations of $5,000 or integral multiples thereof and thereafter either in such fully registered form or coupon form in the denomination of $5,000, registrable as to principal only. Coupon and fully registered
1976 Series 5 Bonds are interchangeable as provided in the Resolutions. Coupon 1976 Series 5 Bonds are numbered 5... and fully registered 1976 Series 5 Bonds are lettered and numbered 5R.... Coupon 1976 Series 5 Bonds and fully registered 1976 Series 5 Bonds are numbered consecutively from one upward.

The 1976 Series 5 Bonds are subject to redemption at the election of the Corporation as a whole or in part, at any time as provided in the Resolutions at 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Additionally, the 1976 Series 5 Bonds are subject to redemption, in part, by lot as provided in the Resolutions, on July 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 July 1 of each of the years shown below the principal amount of such 1976 Series 5 Bonds specified therefor:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>$ 9,505,000</td>
</tr>
<tr>
<td>1983</td>
<td>10,295,000</td>
</tr>
<tr>
<td>1984</td>
<td>11,155,000</td>
</tr>
<tr>
<td>1985</td>
<td>12,085,000</td>
</tr>
<tr>
<td>1986</td>
<td>13,090,000</td>
</tr>
<tr>
<td>1987</td>
<td>14,180,000</td>
</tr>
<tr>
<td>1988</td>
<td>15,365,000</td>
</tr>
<tr>
<td>1989</td>
<td>16,645,000</td>
</tr>
<tr>
<td>1990</td>
<td>18,030,000</td>
</tr>
<tr>
<td>1991</td>
<td>19,510,000</td>
</tr>
</tbody>
</table>

Chapters 168, 169, 868 and 870 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, inserting of the Act in the Public Authorities Law, creating the Corporation as aforesaid, adding a new section 92-e to Article 6 of the State Finance Law, constituting Chapter 56 of such Consolidated Laws, establishing a municipal assistance aid fund (the "Aid Assistance Fund") and a special account for the Corporation within the Aid Assistance Fund (the "Special Aid Account"), amending section 54 of the State Finance Law to provide for the apportionment and payment into the Special Aid Account of amounts of per capita aid appropriated by the Legislature of the State and otherwise payable out of the general fund of the State to The City thereunder subject to payments being made as follows: (i) any amounts required to be paid to the City University Construction Fund pursuant to the City University Construction Fund Act, Article 125-B of the Education Law, constituting Chapter 16 of such Consolidated Laws; (ii) any amounts required to be paid to the New York City Housing Development Corporation pursuant to the New York City Housing Development Corporation Act, Article XII of the Private Housing Finance Law, constituting Chapter 41 of such Consolidated Laws; (iii) any amounts required to be paid to The City to the New York City Transit Authority pursuant to the provisions of chapter seven of the laws of the State of nineteen hundred seventy-two; (iv) any amounts required to be paid by The City to the State to repay an advance made in nineteen hundred seventy-four to subsidize the fare of the New York City Transit Authority; and (v) five hundred thousand dollars to the chief fiscal officer of The City for payment to the trustees of the police pension fund of such City pursuant to the provisions of paragraph e of subdivision 7 of such section 54 of the State Finance Law, suspending the power of 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 1976 Series 5 Bonds, and interest thereon have been fully paid and discharged, adding a new section 92-d to Article 6 of the State Finance Law establishing a municipal assistance tax fund (the "Tax Assistance Fund") and a special account for the Corporation within the Tax Assistance Fund (the "Special Tax 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 Tax 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 1976 Series 5 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1976 Series 5 Bonds. Under the laws of the State, including the Constitution of the State, 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 Second General Bond Resolution and is authorized and permitted by the Second 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, 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, moneys, 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, moneys, securities and funds in the Bond Service Fund and the Capital Reserve Fund is and will be prior to all other liens thereon. All revenues, moneys and securities, as and when received, in the Bond 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 1976 Series 5 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 1976 Series 5 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 Second General Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the Second General Bond Resolution and of the Act.

4. Pursuant to the Act and the Second 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 Second General Bond Resolution. Subdivision 3 of Section 3036-a 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 Second 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 and of Section 3036-a of the Act, for deposit in the funds established by the Second General Bond Resolution at the time or times and in the manner provided therein, including the amounts required for deposit in the Bond Service Fund to pay all interest and all principal and redemption premium, if any, on 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 subdivisions provide for the State Comptroller to pay such amounts to the Corporation for deposit as aforesaid, the source of such payments being the Aid Assistance Fund into which is paid such per capita aid, subject to certain prior claims as described above, and, to the extent required, available and subject to the prior claim of the holders of obligations of the Corporation issued or to be issued pursuant to the First General Bond Resolution and the Outstanding Note Resolutions (both such terms as defined in the Second General Bond Resolution), 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 per capita aid payable to The City and available for apportionment and payment from the general fund of the State treasury and of such payments out of the Aid and Tax Assistance Funds 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.

6. The 1976 Series 5 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 1976 Series 5 Bonds be payable out of any funds other than those of the Corporation.

7. The State has the good right and lawful authority under and pursuant to the present provisions of the Constitution of the State:

   (a) to at least annually appropriate out of the general fund of the State amounts for the purpose of per capita aid and to provide, with respect to certain amounts of such per capita aid payable to The City in accordance with the provisions of section 54 of the State Finance Law, for the apportionment and payment into the Special Aid Account, of 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 any, or maintain any level of, such appropriation of per capita aid or to continue such procedure for apportionment and payment of such aid;

   (b) to the extent amounts referred to in 7(a) hereof are insufficient and subject to such prior claims referred to above, to provide for the appropriation of, and at least annually to appropriate to, the Corporation, from the Special Tax Account, and commencing with the fiscal year of the State commencing April 1, 1976 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;

   (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 Enabling Legislation;

   (d) 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;

   (e) to establish the Aid Assistance Fund and the Special Aid Account within the Aid Assistance Fund, the Stock Transfer Tax Fund, the Tax Assistance Fund 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.

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 per capita aid referred to hereinbefore or Stock Transfer Tax or the Stock Transfer Tax Fund, the Sales Tax, or the Special Accounts for the Corporation in the Aid and Tax Assistance Funds. We are further of the opinion that, in any suit, action or other proceeding brought by the holder of any bonds or notes of The City of New York (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 Accounts superior or equal to the rights of holders of bonds issued under the Second General Bond Resolution, such holder will not prevail in the court of final jurisdiction.

9. Upon a failure of the Legislature of the State to make a timely appropriation for the payment of principal of or interest on bonds and notes of the State, including sinking fund payments, Article 7, Section
16 of the Constitution of the State, provides that the Comptroller of the State shall set apart from the first revenues thereafter received, applicable to the general fund of the State, a sum sufficient to pay such State obligations and shall so set aside and apply the moneys thus set apart. Moneys on deposit in the Stock Transfer Tax Fund and the Municipal Assistance Tax Fund, including the Special Tax Account therein (each such account or fund as presently constituted being a special fund of the State) and collections of the Sales Tax and Stock Transfer Tax, which, under existing law, are to be deposited into the Special Tax Account and the Stock Transfer Tax Fund, do not constitute revenues, under existing law, applicable to the general fund of the State within the meaning of said Article 7, Section 16 and hence, in the event of a failure of the Legislature of the State to make a timely appropriation for such payment of the State obligations, moneys on deposit in, and collections on account of, such special funds are not authorized or mandated to be set apart, set aside or applied by the Comptroller of the State for the payment of such State obligations. Per Capita aid is, under existing law derived from the general fund and hence, in the event of a failure to appropriate as above described, revenues of the State, otherwise payable into the general fund and therefore available for appropriation as per capita aid will be subject to being set apart, set aside, and so applied as aforesaid.

10. Under existing statutes and court decisions, interest on the 1976 Series 5 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 1976 Series 5 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1976 Series 5 Bonds, and the execution and delivery of the 1976 Series 5 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

13. Your attention should be called to a suit entitled *Flushing National Bank, on behalf of itself and all other holders of notes of The City of New York maturing on or before June 30, 1976, plaintiff, against The City of New York; State of New York; and Harrison J. Goldin, Comptroller of the City of New York, defendants*, filed on November 17, 1975 in the Supreme Court of The State of New York, County of New York, wherein the plaintiff demands, among other things, judgment declaring and adjudicating that the New York State Emergency Moratorium Act of the City of New York, enacted by the Legislature and signed by the Governor of the State on November 15, 1975, is unconstitutional, alleging, among other things, violations of the New York State Constitution and United States Constitution.

Said Moratorium Act, among other things, and subject to two conditions, provides that during the moratorium period therein defined, and notwithstanding any inconsistent provisions of any law, general, special or local or of any agreement or short-term obligation of The City that although the payment of such short-term obligation may be due by the terms thereof or the terms of any general or special or local law or agreement, no action or special proceeding shall be commenced or continued in any court in any jurisdiction (a) upon any such short-term obligation, or the indebtedness or liability evidenced thereby, or (b) seeking the levy of taxes or application of any funds, property, receivables or revenues of The City on account of any such short-term obligation or the indebtedness evidenced thereby.

In the event that the constitutionality of said Moratorium Act is sustained by a court of final jurisdiction, such judicial determination could support the constitutionality of similar legislative enactments which may adversely affect certain terms and conditions of the Bonds and the Resolutions, including the payment of principal and interest thereon, and the enforceability thereof.

We have examined the form of the 1976 Series 5 Bond numbered 5R-1 and, in our opinion, the form of said Bond is regular and proper.

Very truly yours,

Hawkins, Delofuse & Wood
TRUSTEE'S ACCEPTANCE AND CERTIFICATE

The undersigned, United States Trust Company of New York, Trustee (the "Trustee"), appointed by the Municipal Assistance Corporation For The City of New York (the "Corporation"), a corporate governmental agency, constituting a public benefit corporation of the State of New York, under and pursuant to the Second General Bond Resolution adopted November 25, 1975, and the 1976 Series 5 Resolution adopted May 18, 1976, of the Corporation (collectively, the "Resolutions"), hereby accepts the duties and obligations of Trustee under the Resolutions and HEREBY CERTIFIES that:

1. The Trustee is duly empowered by law to do and to perform all acts and things required of it by the Resolutions.

2. Pursuant to the provisions of the Resolutions, the Trustee has authenticated and delivered $139,860,000 principal amount of 1976 Series 5 Bonds of the Corporation (the "Bonds").

3. Each person who authenticated the Bonds was duly elected or appointed, qualified and
acting as an officer of the Trustee and empowered to perform such act, and the attached copy of an excerpt of the By-Laws of the Trustee conferring such authority is a true and correct copy of the original thereof on file in the principal office of the undersigned Trustee and said document as of the date hereof is in full force and effect in accordance with its tenor.

4. The Trustee has this day received from the Corporation copies of the Resolutions, certified to by an Authorized Officer of the Corporation, as required by Section 202 of the Second General Bond Resolution.

IN WITNESS WHEREOF, United States Trust Company of New York has caused this certificate to be executed by the officers thereunto duly authorized this 30th day of June, 1976.

UNITED STATES TRUST COMPANY OF NEW YORK

[Signature]
Malcolm J. Hood, Vice President

(SEAL)
Attest:

[Signature]
Assistant Secretary
ARTICLE V

SECTION 10. Execution of Checks and Other Documents. Any officer except the Auditor shall have authority to sign checks on behalf of the Company, to certify checks against funds on deposit with the Company, and to endorse checks, drafts, notes and any orders payable to the Company.

The Chairman of the Board, the President, a Vice Chairman of the Board, or any Executive Vice President, Senior Vice President, the Treasurer or any Vice President or Assistant Vice President shall have authority to transfer stocks, mortgages and personal securities owned by the Company or in its custody in any capacity and to execute deeds of real estate owned by the Company or in its custody in any capacity.

The Chairman of the Board, the President, a Vice Chairman of the Board, or any Executive Vice President, Senior Vice President, the Treasurer or any Vice President or Assistant Vice President shall have authority to execute on behalf of the Company indentures and all other instruments under which the Company is to act in a fiduciary capacity, and to execute on behalf of the Company all contracts, releases, forms, assignments, security documents and agreements relating thereto.

The Chairman of the Board, the President, a Vice Chairman of the Board, or any Executive Vice President, Senior Vice President, the Treasurer or any Vice President or Assistant Vice President shall, to the extent permitted by law, have authority to execute any agreements, contracts or other documents pertaining to the commitment, investment, or loaning of funds of the Company, or as agent for funds in its custody.

Any officer except the Auditor shall have authority to authenticate, execute, countersign or certify on behalf of the Company bonds, debentures and other evidences of indebtedness, coupons, certificates, warrants and proxies with respect to which the Company is trustee, registrar, transfer agent, or fiscal agent, depositary and agent as the case may be and to certify as to the incumbency and specimen signature of any of the officers of the Company. The President or a Vice Chairman of the Board or an Executive Vice President or such Senior Vice Presidents as may be authorized by the Executive Committee may from time to time designate clerks who shall be authorized, for and under the supervision of an officer of the Company, to authenticate, execute, countersign or certify such bonds, debentures, other evidences of indebtedness, coupons, certificates or warrants and proxies and to certify checks, using the title “Authorized Officer” or “Authorized Signature.” The President or a Vice Chairman of the Board or an Executive Vice President or such Senior Vice Presidents as may be authorized by the Executive Committee may also from time to time designate clerks who may, for and under the supervision of an officer of the Company, and subject in each case to such conditions or limitations as the President or a Vice Chairman of the Board or an Executive Vice President or such Senior Vice Presidents as may be authorized by the Executive Committee may prescribe, sign advices, receipts, and other documents in connection with the transfer, receipt, delivery, subscription, redemption or exchange of securities, guarantee signatures upon sale, transfer or assignment of stock and bonds, and erasures in connection therewith, execute assignments or endorsement of subscription warrants, and execute attestations required with respect to securities issued by the United States of America, using the title “Authorized Officer” or “Authorized Signature.” The President or a Vice Chairman of the Board shall report all such designations of clerks to the Executive Committee for approval.

The Executive Committee may authorize the use of facsimile signatures on any instrument to be authenticated, executed, countersigned or certified on behalf of the Company.
June 30, 1976

Municipal Assistance Corporation
For The City of New York
Suite 4540
Two World Trade Center
New York, New York 10047

Dear Sirs:

Our client, United States Trust Company of New York, has requested that we furnish you with our opinion as to its authority to act as Trustee pursuant to its appointment by the Municipal Assistance Corporation For The City of New York (the Corporation) in the Second General Bond Resolution adopted by the Corporation on November 25, 1975, and as to its due authentication and delivery of the Corporation's 1976 Series 5 Bonds issued today in the aggregate principal amount of $139,860,000 (the Bonds) pursuant to the 1976 Series 5 Resolution adopted by the Corporation on May 18, 1976 and the Second General Bond Resolution (the Resolutions) as contemplated by the Corporation's Exchange Offer Official Statement dated May 21, 1976.

United States Trust Company of New York also serves as Trustee pursuant to its appointment by the Corporation in the First General Bond Resolution adopted by the Corporation on July 2, 1975.

We have examined the Resolutions and such other documents as we have deemed necessary in order to render this opinion.
We are of the opinion that United States Trust Company of New York is a duly organized and existing corporation having the powers of a trust company under the laws of the State of New York and is authorized to act as Trustee under the Resolutions and to exercise all of the rights, powers and obligations as Trustee.

We have examined the certificate dated today of the Trustee as to the due authentication and delivery of the Bonds and, relying upon such certificate and such other material as we deem necessary, it is our opinion that the Trustee has duly authenticated and delivered the Bonds.

Very truly yours,

Carter, Ledyard & Milburn

RGMcc:js
ACCEPTANCE OF DUTIES AS PAYING AGENT

The undersigned hereby accepts the duties and obligations of a Paying Agent imposed upon the undersigned by the Second General Bond Resolution adopted by the Board of Directors of the Municipal Assistance Corporation for The City of New York (the "Corporation") on November 25, 1975 and the 1976 Series 5 Resolution of the Corporation, adopted by the Board of Directors of the Corporation on May 18, 1976. The undersigned has taken all necessary corporate action to authorize its acceptance of the appointment as Paying Agent for the Bonds pursuant to the Resolutions referred to above.

UNITED STATES TRUST COMPANY
OF NEW YORK

By

Vice President

Malcolm J. Hood

ATTEST:

Joseph Roggi
Assistant Secretary

Dated: June 30, 1976
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

IRREVOCABLE LETTER OF INSTRUCTIONS
TO EXCHANGE AGENT

May 21, 1976

United States Trust Company
of New York
130 John Street
New York, New York 10038

Attention: Mr. Malcolm J. Hood, Vice President
Corporate Trust and Agency Division

Gentlemen:

The Municipal Assistance Corporation For The City of New York, a corporate governmental agency and instrumentality of the State of New York created pursuant to the New York State Municipal Assistance Corporation Act and the Municipal Assistance Corporation for the city of New York Act, as amended (the "Corporation"), proposes to offer to exchange certain of its Bonds (the "Bonds"), issued pursuant to the Corporation's Second General Bond Resolution, for a total of at least $500,000,000 principal amount of revenue anticipation notes and bond anticipation notes of the City of New York (the "City") outstanding on
the date of commencement of the exchange offer (the "City Notes"), all as further described in the Corporation's Official Statement relating to the Exchange Offer (the "Official Statement").

Such Exchange Offer is more fully described in the Official Statement. The Exchange Offer is scheduled to commence on the date hereof (the actual time and date of such commencement being hereinafter called the "Commencement Date") and is scheduled to terminate at 5:00 P.M., New York City Time, on June 21, 1976, unless extended by the Corporation (such time and date, as the same may be extended, being referred to herein as the "Expiration Date"). Tenders of the City Notes to be included in the exchange must be

(i) received by you (by mail or by hand) or any of the Forwarding Agents (by hand only) named in the Letter of Transmittal, accompanied by a properly completed Letter of Transmittal, at their respective offices designated in the Letter of Transmittal at or prior to the Expiration Date; or

(ii) received by you from a member firm of a national securities exchange in the United States or
a bank which is a member of the Federal Reserve System, if such firm or bank shall have advised you in writing by telegram or otherwise at or prior to the Expiration Date that it has in its possession a duly completed and signed Letter of Transmittal and the accompanying City Notes, the serial numbers of which are specified in such telegram or other written notice, and guarantees to you that the same will be delivered to you by 5:00 P.M. Eastern Daylight Time, June 23, 1976, and the same are actually so delivered to you.

As described more fully in paragraph 7 hereof you shall deliver as specified by the person properly so tendering a City Note or Notes an appropriate Bond or Bonds as provided in the Official Statement, an appropriate Acknowledgment or Acknowledgements of Interest Right (the "Acknowledgment") as provided in the Official Statement in the form supplied by the Corporation and the City Notes registered by the City in the amount of the unaccepted portion of such City Notes (the "unaccepted notes"), if any, which shall be delivered by the City to you, in accordance with the procedure described in the Official
Statement and the Memorandum of Procedures dated today setting forth the agreement between the City and the Corporation as to the responsibilities of each in connection with the Exchange Offer (the "Memorandum").

The Corporation hereby appoints you Exchange Agent in connection with the Exchange Offer upon the terms and conditions herein set forth and you hereby accept such appointment.

In your capacity as Exchange Agent you shall act in accordance with the instructions set forth in the Letter of Transmittal and you are hereby authorized to act and are hereby instructed further as follows:

1. The Corporation shall notify you by telephone message to your telephone number, 425-4500 (Attention: Mr. Malcolm J. Hood, Vice President or Mr. George Boswell, Assistant Secretary), confirmed in writing promptly thereafter, that the Commencement Date has occurred and that City Notes may thereupon be tendered to you in exchange for the Bonds. The Corporation shall also immediately notify you by telephone message to the above number, confirmed in writing promptly thereafter, of any extension of the Expiration Date.
2. The Corporation, as soon as reasonably practicable after the Commencement Date, shall furnish you with copies of the Official Statement, the Letter of Transmittal and the Acknowledgment in such quantities as shall be sufficient for your use in connection with the Exchange Offer and thereafter from time to time shall furnish you with such number of additional copies of such documents as you may reasonably request for such purpose.

3. You shall receive City Notes tendered pursuant to the Exchange Offer and accompanying Letters of Transmittal delivered to you at your Corporate Trust and Agency Services (MAC Exchange), Twentieth Floor, 130 John Street, New York, New York, or received by you by mail addressed to your Corporate Trust and Agency Services (MAC Exchange) 130 John Street, New York, New York 10038 within the time periods specified herein.

4. You shall furnish the Corporation (Attention: Mr. James R. Keegan at telephone number 488-5723) and its counsel, Paul, Weiss, Rifkind, Wharton & Garrison (Attention: George S. Balis, Esq. number 644-8702, Frederick R. Cummings Jr., Esq. at 644-8166 or Allen L. Thomas, Esq. at 644-8172) with a daily telephone report,
not later than 11:30 A.M. on the next business day following the business day to which such report relates, as to the principal amount of (i) City Notes tendered to you; (ii) of City Notes that are the subject of advices ("protects") delivered to you by member firms or banks as permitted by the second unnumbered paragraph hereof; (iii) City Notes which do not appear to be properly tendered; and (iv) withdrawals of tenders of City Notes on each business day during the period of the Exchange Offer and shall confirm such telephone report by a daily written report (as soon as reasonably practicable after such telephone report) delivered to the Corporation at Room 4540, 2 World Trade Center, New York, New York 10047, and to its counsel at 345 Park Avenue, New York, New York 10022, Attention: Ms. Eileen Dacey.

5. In the event that you shall timely receive City Notes or Letters of Transmittal not in proper form, or otherwise not acceptable to the Corporation, you may, in your discretion, communicate by whatever means you deem appropriate with the person tendering the same in order to attempt to render the same acceptable to the Corporation. If the same remain unacceptable past such date as shall be
determined by the Corporation (whether or not you have communicated with such person), you shall either return such City Notes or Letters of Transmittal, or both, to the person tendering the same or, upon direction of the Corporation or its counsel, waive such unacceptability.

6. In the event that you shall receive at any time prior to 3:30 P.M. Eastern Daylight Time, on June 7, 1976 or at such later time as you may be directed in writing by the Corporation, from any person who had previously tendered City Notes a written notice of withdrawal specifying (i) the name of such tendering holder of City Notes, (ii) the principal amount of City Notes so tendered and (iii) the serial numbers shown on such City Notes, you shall return such City Notes to the person tendering the same at such holder's address as specified in the Letter of Transmittal by insured, registered mail, return receipt requested. Any City Notes withdrawn shall be deemed not to have been duly tendered.

7. As soon as reasonably practicable after the closing to be held with respect to the Bonds to be issued pursuant to the Exchange Offer, and pursuant to written order of the Corporation, you shall deliver, as specified
by the person properly so tendering a City Note or Notes, by means approved by the Corporation, Bonds in the same aggregate principal amount as the City Note or Notes accepted by you in accordance with the procedure described in the Official Statement, together with the related approving opinion of Hawkins, Delafield & Wood, Bond Counsel, and as soon thereafter as reasonably practicable, the Acknowledgments and the unaccepted notes, if any, which have been registered by the City in accordance with the procedures described in the Memorandum; provided, however, that you shall not so deliver such Bonds, opinions, Acknowledgments or unaccepted notes unless and until such City Note or Notes and a properly completed Letter of Transmittal or Letters of Transmittal with respect to such Note or Notes shall be timely received by you; and provided, further, you shall have no obligation to deliver such Bonds, opinions, Acknowledgments or unaccepted notes unless you, in your capacity as Exchange Agent, shall have duly received: (i) pursuant to written direction of the Corporation, from yourself as the Trustee under the Second General Bond Resolution, the required Bonds; (ii) from Bond Counsel, the required opinions; (iii) from the
Corporation, the required Acknowledgments; and (iv) from the City of New York, the required unaccepted notes, if any (it being understood that the items specified in clauses (iii) and (iv) will each be mailed separately both from each other and from the items specified in clauses (i) and (ii)).

8. You shall maintain complete and accurate records as to all City Notes and Letters of Transmittal tendered to you, as to all City Notes and Letters of Transmittal returned by you to the persons tendering the same, as to all City Notes delivered by you to the City of New York and as to all Bonds, Acknowledgments and unaccepted notes, if any, delivered by you in connection with the Exchange Offer. Such records shall include the following information:

(a) the serial number and principal amount of each City Note tendered to you, the date of receipt by you of such City Note and the name and address as such appears on the Letter of Transmittal of each person tendering such City Note; and

(b) the serial number and principal amount of each Bond and unaccepted note, if any, delivered by
you to or upon the order of each person tendering a City Note to you and the name and address of the person to whom the Bond and unaccepted note, if any, were delivered pursuant to instructions contained in the Letter of Transmittal pertaining thereto.

9. You shall use your best efforts to keep a record of the names and addresses of all persons to whom you furnish copies of the Official Statement and the Letter of Transmittal.

10. All records maintained by you in accordance with paragraphs 8 and 9 and all Letters of Transmittal pertaining thereto received by you shall be delivered to the Corporation within six months after the Expiration Date, but shall be available to the Corporation for inspection from time to time by it during normal business hours within a reasonable time after request therefor, and following delivery of such records and Letters of Transmittal to the Corporation, the Corporation shall, within a reasonable time after request therefor, make such records and Letters of Transmittal available to you during normal business hours for your inspection thereof. All City Notes exchanged for Bonds shall, as promptly as practicable after such exchange, be delivered by you as
Exchange Agent to yourself as custodian for securities owned by the Corporation.

11. As soon as reasonably practicable after the Expiration Date, if the Corporation determines not to accept all of the City Notes tendered to it, you shall determine in accordance with the prorata acceptance procedures as described in the Official Statement, the total principal amount of Bonds which must be issued by the Corporation in accordance with the Official Statement. You shall assume for the purpose of making the initial determination of the total amount of City Notes tendered to the Corporation, that all tenders made pursuant to the "protection" procedure as described in the Official Statement are valid tenders and will be fulfilled. It is understood you are not responsible for any nonfulfillment of such "protected" tenders. As soon as practicable after June 23, 1976, you will make a final determination of the total amount of City Notes tendered to the Corporation.

12. The Corporation shall pay you from time to time reasonable compensation for all services rendered under this agreement. The Corporation shall also reimburse you for the reasonable expenses paid or incurred by
you hereunder, including but not limited to all counsel, advisors' and agents' fees, all taxes or other governmental charges involved, all costs of communication, mailing and other expenses of the transmission of Bonds, Acknowledgments, unaccepted notes, if any, and other documents necessary or desirable in connection with the Exchange Offer, all costs and expenses relating to protective security measures taken in connection with the receipt, custody or transmission of documents or other property directly involved in the Exchange Offer and the cost of any premiums for insurance covering the risk of destruction, damage, misappropriation or loss of property directly involved in the Exchange Offer.

13. Your duties and responsibilities shall be limited to those expressly set forth herein and to those upon which you and the Corporation shall agree in writing. You shall not be liable for any action taken or omitted by you, or any action suffered by you to be taken or omitted, in good faith or in the exercise of your own best judgment, and may rely conclusively and shall be protected in acting upon any Letter of Transmittal, order, notice, demand, certificate, opinion or advice of counsel (including counsel chosen by you), statement, instrument,
report or other document (not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and acceptability of any information therein contained) which is believed by you, in good faith or in the exercise of your own best judgment, to be genuine and to be signed or presented by the proper person. You shall not be bound by any notice or demand, or any waiver, or modification of this agreement or any of the terms hereof unless evidenced by a writing delivered to you signed by the proper authority or authorities and, if your duties or rights are affected, unless you shall give your prior written consent thereto.

14. Except to the extent required for the performance of your responsibilities hereunder in good faith or in the exercise of your own best judgment, you shall not be responsible for the sufficiency or accuracy of the form, execution, validity, value or genuineness of any document or property received, held or delivered by you hereunder or of any signature or endorsement thereon, or for any lack of endorsement thereon, or for any description therein. You shall not be responsible for or liable in any respect on account of the identity,
authority or rights of any person executing or delivering, or purporting to execute or deliver, any document or property or this agreement. You shall have no responsibility with respect to the use or application of any funds or other property paid or delivered by you pursuant to the provisions hereof.

15. You shall have no duty to enforce any obligation of any person to make any payment or delivery, or to direct or cause any payment or delivery to be made, or to enforce any obligation of any person to perform any other act. You shall be under no liability to any person by reason of any failure on the part of any person or any maker, guarantor, endorser or other signatory of any document to perform the obligations of such person under any such document. Except as specifically provided herein, you shall not be obligated to recognize any other agreement between any or all of the persons referred to herein, even though reference thereto may be made herein and whether or not you have knowledge thereof.

16. You shall have the right to assume in the absence of written notice to the contrary from the proper person or persons that a fact or an event by reason of
which an action would or might be taken by you does not exist or has not occurred without incurring liability for any action taken or omitted, or any action suffered by you to be taken or omitted, in good faith or in the exercise of your own best judgment, in reliance upon such assumption.

17. To the extent that you may become liable for the payment of taxes, including withholding taxes, in respect of any funds or other property received, held or delivered hereunder, or in respect of income derived from any such funds or other property or any payment made hereunder, you may pay such taxes. You may withhold from any payment of monies held by you hereunder such amount as you estimate to be sufficient to provide for the payment of such taxes, and may use the sum withheld for that purpose. The Corporation shall indemnify and hold you harmless against any liability for taxes and for any penalties or interest in respect thereof on such funds or other property or on such income in the manner provided in paragraph 18.

18. The Corporation shall indemnify you and hold you harmless from and against any expenses, including
counsel fees and disbursements, or losses suffered
(including payment of any claims, damages or liabilities)
by you, in connection with any action, suit or other
proceeding brought by any person (including but not
limited to any governmental entity or agency) involving
any claim which in any way, directly or indirectly, arises
out of the performance of your responsibilities hereunder
(except for gross negligence), your service as Exchange
Agent (including but not limited to the performance of
your duties on behalf of the tendering holders of City
Notes who are entitled to receive from the Corporation
unaccepted notes as described in the Official Statement
and all duties in connection with the procedures described
in the Memorandum), monies or other property held by you
hereunder or any income derived therefrom. Promptly after
the receipt by you of notice of the commencement of any
such action, suit or proceeding, you shall, if a claim in
respect thereof is to be made against the Corporation
under this paragraph 18, notify the Corporation in writing
of the commencement thereof; but the omission so to notify
the Corporation shall not relieve it from any liability
which it may have to you. For the purposes of this
paragraph 18, the term "losses" shall include all amounts paid, or payable, to satisfy any liability, or in settlement of any claim, demand, action, suit or proceeding settled with your express written consent and all costs and expenses, including but not limited to legal fees paid or incurred in investigating or defending against any such claim, demand, action, suit or proceeding.

19. This agreement shall terminate upon the disposition of the monies and property held by you hereunder, provided that your rights and the obligations of the Corporation hereunder shall survive such termination. You may resign at any time and be discharged from your duties and responsibilities hereunder by giving the Corporation at least ten days' notice thereof. As soon as practicable after such resignation, you shall turn over to the successor, if any, appointed by the Corporation all monies and property held hereunder (less any monies and property you are entitled to retain pursuant to this agreement) upon presentation of evidence appointing such successor and its acceptance thereof. If no successor is so appointed within twenty days following such notice of
resignation, you may deposit such monies and property with the Corporation or with any court, as you may deem appropriate.

20. Your obligations hereunder shall be subject to the further condition that there be delivered to you:

(a) prior to or at the commencement of the Exchange Offer, an opinion of Messrs. Paul, Weiss, Rifkind, Wharton & Garrison, counsel for the Corporation, in form satisfactory to your counsel, substantially to the effect that:

(i) The execution and delivery of this agreement by the Corporation and the performance by the Corporation of its obligations under this agreement have been duly authorized by proper corporate proceedings of the Corporation. This agreement constitutes the legal, valid and binding agreement of the Corporation enforceable in accordance with its terms, except as to the enforceability which may be limited by bankruptcy, extorium or similar laws. The Second General Bond Resolution and the Series Resolutions relating to the Bonds adopted by the Board of Directors of the Corporation have been duly and lawfully adopted by the Corporation and all are in full
force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, except as to the enforceability which may be limited by bankruptcy, moratorium or similar laws, and no other authorization for, or filing or recording of, such resolutions is required.

(ii) The execution and delivery of this agreement 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 to which the Corporation is subject or by which it is bound.

(b) At the closing an approving opinion of The Corporation Counsel for The City of New York, in form satisfactory to you, substantially to the effect that the unaccepted notes to be delivered to the tendering holders of City Notes are duly authorized notes of the City of New York.

21. Unless otherwise expressly provided herein, all notices, requests, demands and other communications hereunder shall be in writing, shall be delivered by hand
or by first-class mail, shall be deemed given when received and shall be addressed to you and the Corporation at the respective addresses listed below or to such other addresses as you or the Corporation shall designate from time to time in writing forwarded in like manner:

If to the Corporation: to

Municipal Assistance Corporation
For The City of New York
Room 4540
2 World Trade Center
New York, New York 10047

Attention: Mr. James R. Keegan
Deputy Executive Director

With copies to:

Paul, Weiss, Rifkind, Wharton & Garrison
345 Park Avenue
New York, New York 10022

Attention: Allen L. Thomas, Esq.

If to you: to

United States Trust Company of New York
130 John Street
New York, New York 10038

Attention: Mr. Malcolm J. Hood,
Vice President,
Corporate Trust and Agency Division

With copies to:

Carter, Ledyard & Milburn
2 Wall Street
New York, New York 10005

Attention: Robert R. Grew, Esq.
22. This agreement shall be governed by and construed in accordance with the laws of the State of New York.

23. This agreement and the rights and obligations of you and the Corporation shall be assignable to the respective successors to the entire business of the Corporation or you. This agreement shall be binding upon the Corporation's and your respective successors and permitted assigns. No other person shall acquire or have any rights under, or by virtue of, this agreement. The directions contained herein are irrevocable and this agreement may not be modified, amended or supplemented.
without an express written agreement executed by you and
the Corporation.

Please confirm your agreement to act as Exchange
Agent in connection with the Exchange Offer in accordance
with the foregoing terms, by signing and returning to us
the enclosed copy of this letter in the place indicated
below.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION FOR
THE CITY OF NEW YORK

By /s/ James R. Keegan
  (Title: Deputy
  Executive Director

United States Trust Company of
New York hereby accepts its
appointment as Exchange Agent
as set forth above.

UNITED STATES TRUST COMPANY OF NEW YORK

By /s/ Malcolm J. Hood
  Malcolm J. Hood,
  Vice President

-22-
CONFIRMATION OF DELIVERY AND ORDER
AS TO CUSTODY OF CITY NOTES

June 30, 1976

United States Trust Company
of New York
130 John Street
New York, New York 10038

Gentlemen:

As Exchange Agent acting pursuant to the
Irrevocable Letter of Instructions to Exchange Agent,
executed by the Municipal Assistance Corporation For
The City of New York (the "Corporation") and you on
May 21, 1976, in connection with the offer of the corpora-
tion to exchange 1976 Series 5 Bonds of the Corporation
for certain revenue anticipation and bond anticipation
notes of The City of New York (the "City Notes"), as
described in the Exchange Offer Official Statement of the
Corporation dated May 21, 1976, you have acknowledged
receipt on behalf of the Corporation of the City Notes
described below in the following principal amounts:
United States Trust Company of New York

<table>
<thead>
<tr>
<th>Description</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of New York Revenue Anticipation Notes 9.50% due December 11, 1975</td>
<td>$28,160,000</td>
</tr>
<tr>
<td>City of New York Revenue Anticipation Notes 9.40% due January 12, 1976</td>
<td>60,775,000</td>
</tr>
<tr>
<td>City of New York Revenue Anticipation Notes 7.55% due February 13, 1976</td>
<td>23,580,000</td>
</tr>
<tr>
<td>City of New York Bond Anticipation Notes 8.75% due March 12, 1976</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$139,860,000</td>
</tr>
</tbody>
</table>

The Corporation hereby authorizes and directs you, as Exchange Agent, to place upon the back of each of the City Notes so held by you a notation in substantially the following form:

"Tendered and accepted pursuant to the Exchange Offer of the Municipal Assistance Corporation For The City of New York commencing May 21, 1976 and expiring June 21, 1976."

The Corporation further instructs you to deliver the City Notes in the amounts described above to the custody account maintained by the Corporation with United States Trust Company of New York. As such custodian, you are hereby authorized and directed to hold such City Notes in
United States Trust Company
of New York

-2-

custody for safekeeping subject to further written
directions of the Corporation as to delivery or other
disposition of the City Notes.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By [Signature]
CERTIFICATE OF EXCHANGE AGENT
AS TO RECEIPT OF CITY NOTES
TENDERED PURSUANT TO THE
EXCHANGE OFFER

I, Malcolm J. Hood, a duly appointed and
qualified Vice President of United States Trust Company
of New York, do HEREBY CERTIFY as follows:

United States Trust Company of New York, as
Exchange Agent (the "Exchange Agent"), acting under the
Irrevocable Letter of Instructions to Exchange Agent,
executed by the Municipal Assistance Corporation For The
City of New York (the "Corporation") and the Exchange
Agent on May 21, 1976 in connection with the offer of
the Corporation to exchange 1976 Series 5 Bonds of the
Corporation for certain revenue anticipation and bond
anticipation notes of The City of New York (the "City
Notes") as described in the Exchange Offer Official
Statement of the Corporation dated May 21, 1976 hereby
acknowledges receipt on behalf of the Corporation of
the City Notes described below in the aggregate principal
amounts indicated below tendered pursuant to the
Exchange Offer and confirms to the Corporation that
such City Notes will be delivered by United States
Trust Company of New York, as Exchange Agent, to itself as custodian for securities of the Corporation.

<table>
<thead>
<tr>
<th>Description</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of New York Revenue Anticipation Notes 9.50% due December 11, 1975</td>
<td>$28,160,000</td>
</tr>
<tr>
<td>City of New York Revenue Anticipation Notes 9.40% due January 12, 1976</td>
<td>60,775,000</td>
</tr>
<tr>
<td>City of New York Revenue Anticipation Notes 7.55% due February 13, 1976</td>
<td>23,580,000</td>
</tr>
<tr>
<td>City of New York Bond Anticipation Notes 8.75% due March 12, 1976</td>
<td>27,345,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$139,860,000</strong></td>
</tr>
</tbody>
</table>

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of United States Trust Company of New York this 30th day of June, 1976.

Malcolm J. Hood, Vice President

UNITED STATES TRUST COMPANY
OF NEW YORK, as Exchange Agent

(Seal)

ATTEST:

Joseph G. Rogers
Assistant Secretary
RECEIPT FOR BONDS

The undersigned, as Exchange Agent acting under the Irrevocable Letter of Instructions to Exchange Agent, executed by the Municipal Assistance Corporation For The City of New York (the "Corporation") and the undersigned on May 21, 1976, in connection with the offer of the Corporation to exchange 1976 Series 5 Bonds of the Corporation for certain revenue anticipation and bond anticipation notes of The City of New York as described in the Exchange Offer Official Statement of the Corporation dated May 21, 1976, hereby acknowledges receipt on behalf of the Corporation from United States Trust Company of New York, as Trustee under the Second General Bond Resolution, adopted November 25, 1975 and the 1976 Series 5 Resolution, adopted May 18, 1976, of the 1976 Series 5 Bonds in definitive form as described in the Schedule annexed hereto for delivery pursuant to written order of the Corporation.

IN WITNESS WHEREOF, this receipt has been executed this 30th day of June, 1976.

UNITED STATES TRUST COMPANY OF NEW YORK

By Malcolm J. Hood, Vice President
SCHEDULE X

1976 Series 5 Bonds (the "1976 Bonds"): offered in exchange for up to $500,000,000 of certain notes of The City of New York (the "City"). Principal amount to be delivered $139,860,000.

The 1976 Bonds shall bear interest from June 21, 1976 at the rate of 3% per annum, payable semi-annually on the first day of January and July of each year, commencing January 1, 1977 until maturity on July 1, 1991. Each 1976 Bond is subject to redemption at the election of the Corporation, in whole or in part at any time, at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption.

The 1976 Bonds are further subject to redemption, in part, by lot, on July 1 of each year commencing July 1, 1982, from mandatory "Sinking Fund Installments" (as defined in the Second General Bond Resolution) at a redemption price of 100% of the principal amount thereof plus accrued interest to date of redemption.
CERTIFICATE OF THE MAYOR AND COMPTROLLER OF
THE CITY OF NEW YORK AS TO THE CORPORATION'S
$139,860,000 1976 SERIES 5 BONDS TO BE DELIVERED ON JUNE 30, 1976

We, the undersigned, ABRAHAM D. BEAME, Mayor of The City of New York (the "City"), and HARRISON J. GOLDIN, Comptroller of the City, pursuant to the provisions of Section 3035 of the Municipal Assistance Corporation For The City of New York Act, being Title III of Article 10 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York (the "State"), as amended to the date hereof (the "Act"), DO HEREBY (a) represent that the City is in compliance with such conditions described in Section 3038 of the Act as the Corporation may specify, (b) undertake and agree on behalf of the City to comply with any of such specified conditions as the Corporation may require and (c) represent that all local legislative and executive action required to permit such compliance by the City has been taken.

WITNESS our signatures and the seal of the City this 30th day of June, 1976.

[Signatures]

(SEAL)

[Seal]

Abraham D. Beame
Mayor of The City of New York

Comptroller of The City of New York
LETTER OF TRANSMITTAL
To Accompany Notes of
THE CITY OF NEW YORK
Tendered Pursuant to Exchange Offer

The Offer Will Terminate at 5:00 P.M., Eastern Daylight Time, on
June 21, 1976 unless extended by the Corporation
(such time and date, as the same may be extended, being referred to herein as the “Expiration Date”)
It is the present intention of the Corporation not to extend the Offer.

PLEASE READ CAREFULLY THE TENDER PROVISIONS, THE ASSIGNMENT, THE APPOINTMENT
AND THE INSTRUCTIONS ON THE INSIDE PAGES

DESCRIPTION OF CITY NOTES TENDERED (See Instruction A)

<table>
<thead>
<tr>
<th>Name(s) and Address of Tendering Owner(s)</th>
<th>Notes Enclosed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(All information must be typed or printed)</td>
<td>(Attach list if necessary)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name(s)</th>
<th>Note No.</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Address</th>
<th>Note No.</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Number)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Street)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(City)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(State)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Zip)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone Number</td>
<td>Total Principal Amount</td>
<td>$</td>
</tr>
<tr>
<td>(Area code)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Tenders should be made as follows:
By hand:
UNITED STATES TRUST COMPANY
OF NEW YORK
Corporate Trust and Agency Services
(MAC Exchange)
20th Floor
130 John Street
New York, New York
(212) 344-5105

By hand only:
THE CHASE MANHATTAN
BANK, N. A.
Jamaica Avenue Branch
161-10 Jamaica Avenue
Jamaica, New York 11432

149th Street Branch
369 East 149th Street
Bronx, New York 10455

Great Neck Branch
22 Grace Avenue
Great Neck Plaza, New York 11020

One New York Plaza Branch
One New York Plaza
New York, New York 10004

EXCHANGE AGENT

By mail:
UNITED STATES TRUST COMPANY
OF NEW YORK
Corporate Trust and Agency Services
(MAC Exchange)
130 John Street
New York, New York 10038
(212) 344-5105

FORWARDING AGENTS

By hand only:
CITIBANK,
N. A.
Park Avenue—57th Street Branch
460 Park Avenue
New York, New York 10022

White Plains Branch
244 Main Street
White Plains, New York 10605

Freeport Branch
180 West Merrick Road
Freeport, New York 11520

Kings Highway Branch
1501 Kings Highway
Brooklyn, New York 11229

Please read carefully the tender provisions, the assignment, the appointment and the instructions contained in this Letter of Transmittal and then fill in the blanks and sign in the spaces provided. An improperly completed Letter of Transmittal may be returned and the resulting delay could prejudice the rights of a tendering holder of City Notes under the Exchange Offer.

Additional copies of this Letter of Transmittal may be obtained from the Exchange Agent and at many offices of banks and securities brokers throughout the country, including those referred to in this Letter of Transmittal. The Exchange Agent may be contacted by telephone at the special number shown above.

The method used to deliver this Letter of Transmittal and any accompanying Notes is at the option and risk of the undersigned, and delivery will be deemed effective only when effected in accordance with a method described in Instruction B. The Corporation does not recommend delivery by mail; but if delivery is by mail, it is strongly recommended that registered mail, return receipt requested, be used and that provisions for insurance or indemnification be made covering the full amount of principal and interest on the Notes.
TO THE EXCHANGE AGENT:

Pursuant to the Exchange Offer of the Municipal Assistance Corporation For The City of New York (the "Corporation") to the holders of revenue anticipation notes and bond anticipation notes (collectively, the "City Notes") of The City of New York (the "City"), as set forth in the Official Statement of the Corporation dated May 21, 1976 relating to the Exchange Offer (the "Official Statement"), receipt of which is hereby acknowledged, the undersigned hereby tenders the City Note or City Notes listed above (the "Notes"), subject to the reservation of the right to interest contained below under "Assignment", in exchange for a Bond or Bonds of the Corporation (the "Bonds") to which the undersigned is entitled under the terms of the Exchange Offer set forth in the Official Statement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to sell and transfer the Notes and to make the aforesaid reservation of the right to interest, and that the Corporation will acquire good and unencumbered title to the Notes, subject to such reservation of rights, free and clear of all liens, charges and encumbrances and not subject to any adverse claims, when the same are acquired by it in accordance with the Exchange Offer. All warranties herein contained shall survive consummation of the transaction contemplated hereby. The undersigned will, upon request, execute any additional documents necessary or desirable to complete the sale and transfer of the Notes. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and all obligations of the undersigned hereunder shall be binding upon the undersigned's heirs, personal representatives, successors and assigns. In consideration of the issuance to the undersigned (or in accordance with the directions of the undersigned specified herein) of the Bonds to which the undersigned is entitled under the terms of the Exchange Offer set forth in the Official Statement, and except as otherwise described therein, the undersigned hereby releases and discharges the City and the Corporation from any and all obligations, claims, liabilities or causes with respect to or arising out of the obligation to pay the principal amount of the Notes accepted by the Corporation. Except for the withdrawal rights stated in the Official Statement, this tender is irrevocable and unconditional.

ASSIGNMENT

Subject to the terms and conditions of the Exchange Offer set forth in the Official Statement and in this Letter of Transmittal, the undersigned hereby assigns and transfers unto the Corporation all right, title and interest in the Notes or, if less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation pursuant to the Exchange Offer, that portion of the original principal amount of the Notes accepted; provided, however, that such assignment and transfer does not include the right, title and interest of the undersigned to receive from the City the entire interest that the City has advised the Corporation that it will pay on the Notes accepted, accrued from the stated maturity date thereof through the Expiration Date, at the rate of 6 per centum (6%) per annum, or as may be otherwise provided by applicable law, which right is hereby reserved to the undersigned. The undersigned hereby appoints the Corporation attorney-in-fact of the undersigned, with full power of substitution, to enforce the right of the undersigned to receive the interest, to which the undersigned shall be entitled by applicable law, on the Notes accepted pursuant to the Exchange Offer in the event interest is not paid by the City on or prior to the anniversary of the stated maturity date of the Notes, and to remit the amounts, as and when collected, of such interest, after payment of the expenses of collection, including attorneys' fees and disbursements, in the manner so specified.

APPOINTMENT OF AGENT

If less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation pursuant to the Exchange Offer, the undersigned hereby appoints you, the Exchange Agent, as the undersigned's agent to effect delivery of the undersigned's Notes to the City, to receive from the City on behalf of the undersigned registered Notes, imprinted as described in the Official Statement, in the total aggregate principal amount of that portion of the original principal amount of the tendered City Notes not accepted as described in the Official Statement under the heading "Tender Procedure", and to transmit such Notes as specified herein. The undersigned understands that the marketability of the Notes may be adversely affected by such imprinting. In connection with such delivery to and receipt from the City, the undersigned instructs you to act as agent for the undersigned and agrees that neither you nor the Corporation shall have any obligations or responsibilities except as expressly set forth above and neither you nor the Corporation shall be responsible for the form, execution, validity, value or genuineness of any unaccepted Notes.

In connection with the receipt of the Bonds to which the undersigned is entitled pursuant to the terms of the Exchange Offer, the undersigned hereby appoints you as the undersigned's agent and instructs you to receive the Bonds on behalf of the undersigned and then to deliver the Bonds as specified herein.

Copies of the Exchange Offer Official Statement and this Letter of Transmittal may be obtained from the Exchange Agent, at The Chase Manhattan Bank, N.A., Citibank, N.A., Kiddler, Peabody & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Guaranty Trust Company of New York, Salomon Brothers, and at many offices of other banks and securities dealers throughout the country. The availability of such documents from such organizations does not imply any recommendation by them as to the merits of the Exchange Offer or any representation by them as to the accuracy or completeness of the Exchange Offer Official Statement.
INSTRUCTIONS

Instruction A—DESCRIPTION OF CITY NOTES TENDERED

Specify the principal amount and serial numbers of the Notes. All Notes tendered must be tendered for the full principal amount thereof. As set forth in the Official Statement, Bonds issued in exchange for Notes will bear interest from the Expiration Date. Acknowledgments evidencing the reservation of the right to receive interest accruing on the Notes as described in the Official Statement will also be delivered by the Corporation.

Instruction B—METHOD OF DELIVERY

Delivery of the Notes may be effected by one of the following methods:

(1) Delivery to the Exchange Agent (by mail or by hand) or to any of the Forwarding Agents (by hand only), at the respective addresses set forth on the front of this Letter of Transmittal, at or prior to the Expiration Date (Note that tenders by mail will be accepted only if actually received by the Exchange Agent on or before the Expiration Date regardless of the date of mailing); or

(2) Delivery to the Exchange Agent by a member firm of a national securities exchange in the United States or a bank which is a member of the Federal Reserve System, if such firm or bank shall have advised the Exchange Agent in writing by telegram or otherwise at or prior to the Expiration Date that it has in its possession a duly completed and signed Letter of Transmittal and the accompanying City Notes, the serial numbers of which are specified in such telegram or other written notice, and guarantees that the same will be delivered to the Exchange Agent by 5:00 P.M., Eastern Daylight Time, on June 23, 1976 (regardless of any extension of the Expiration Date), and the same are actually so delivered. The “protection” procedure described in the preceding sentence will be available only through the Exchange Agent and not through the Forwarding Agents.

Instruction C—REGISTRATION DIRECTIONS

Unless otherwise specified in the box “SPECIAL REGISTRATION INSTRUCTIONS”, the Bonds and Acknowledgments will be registered in the name(s) of the tendering owner(s) specified in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED”. If more than one name is specified, the Bonds andAcknowledgments will be registered in such names as Joint Tenants with right of survivorship and not as Tenants in Common unless otherwise instructed.

Instruction D—DENOMINATIONS AND CALCULATION OF PRORATED VALUE

Specify the number of Notes of each denomination tendered by this Letter of Transmittal by inserting the number on the line opposite the applicable denomination. The space provided for calculation of prorated value is for use by the Exchange Agent only.

Instruction E—SIGNATURES

This Letter of Transmittal must be signed by the person(s) tendering the Notes. All persons tendering should read the box “AGREEMENT WITH THE CITY OF NEW YORK” before signing.

Instruction F—GENERAL

The Corporation reserves full discretion to determine whether the documentation with respect to Notes is complete and generally to determine all questions as to tenders, including the date and time of receipt of a tender, the propriety of execution of any document and other questions as to the eligibility or acceptability of any tender. The Corporation reserves the right to reject any tenders not in proper form or to waive any irregularities or conditions, and the Corporation’s interpretation of the terms and conditions of the Exchange Offer (including these instructions) will be final. No such tender will be deemed to have been made until all irregularities have been cured or waived. All improperly tendered City Notes will be returned, unless irregularities are waived, without cost to the tendering holder by the Exchange Agent.

All information must be clearly printed or typed.

Delivery of Bonds, Acknowledgments and any unaccepted Notes in accordance with the terms of the Exchange Offer will be made as described in the Official Statement under the heading “TENDER PROCEDURE”. The Bonds, Acknowledgments and any unaccepted Notes to be delivered pursuant to the Exchange Offer will be mailed by the Exchange Agent to the address appearing in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED” unless the box “SPECIAL REGISTRATION INSTRUCTIONS” is completed, in which case they shall be mailed to the address appearing therein. Checks to be delivered in payment of interest accrued on the accepted Notes as described in the Official Statement will be mailed to the address appearing in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED” unless the box “SPECIAL REGISTRATION INSTRUCTIONS” is completed, in which case they shall be mailed to the address appearing therein.

3
REGISTRATION DIRECTIONS (See Instructions C and F)
(Use only if Bonds are not to be registered in the name of the tendering owner(s) specified above.)

Special Registration Instructions
(All information must be typed or printed.)

Register in the name(s) of:

Name(s) ........................................................................................................
(Use full given name(s), initial and last name)

Address ........................................................................................................
(Number) .......................................................................................................
(Street) ........................................................................................................
(City) ...........................................................................................................
(State) .........................................................................................................
(Zip) .............................................................................................................

DENOMINATIONS AND CALCULATION OF PRORATED VALUE (See Instruction D)

<table>
<thead>
<tr>
<th>Denominations of Tendered City Notes (Please complete,)</th>
<th>Calculation of Prorated Value (For use by Exchange Agent only.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Denomination</td>
<td>Note Prorated Value</td>
</tr>
<tr>
<td>$10,000</td>
<td>$_________________ = $_________________</td>
</tr>
<tr>
<td>25,000</td>
<td>$_________________ = $_________________</td>
</tr>
<tr>
<td>100,000</td>
<td>$_________________ = $_________________</td>
</tr>
</tbody>
</table>

*Fill in the number of Notes of each denomination tendered hereby.

Total Aggregate Prorated Value (this Letter of Transmittal) $_________________

AGREEMENT WITH THE CITY OF NEW YORK

By completing and delivering this Letter of Transmittal, THE UNDERSIGNED HEREBY REQUESTS AND AGREES with the City of New York that, if less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation:

1. A Note will be returned for each Note duly tendered with terms which will correspond to the terms of the tendered Note (the date of issue, stated maturity date, original stated principal amount and original stated interest rate), but which will not necessarily correspond with respect to the purpose for which the tendered Note was issued and will not necessarily bear the same serial number as the tendered Note.

2. The principal amount of indebtedness of the City represented by the returned Note will equal (a) the original stated principal amount minus (b) the principal amount thereof assigned to and accepted by the Corporation. The amount so assigned and accepted will be imprinted upon the returned Note, and the balance of the principal amount of indebtedness of the City remaining outstanding and represented by such Note as reduced will also be imprinted thereon. The aggregate principal amounts of returned Notes and Bonds of the Corporation delivered will equal the aggregate principal amounts of Notes tendered.

3. Each returned Note will be converted from bearer form to registered form and will be registered in the name and address specified for such purpose in the Letter of Transmittal. Each returned Note will state that it may be converted to bearer form by the City at the request of the registered holder, but will not be subsequently converted to registered form.

SIGNATURE (See Instruction E)

Dated ..............................................1976

(Signature(s))

To Be Used Only For Delivery To Exchange Agent And Only If City Notes Are Not Transmitted Herewith

The undersigned guarantees to deliver to you by 5:00 P.M., Eastern Daylight Time, on June 23, 1976 (regardless of any extension of the Expiration Date) the City Notes bearing the serial numbers set forth on page one hereof tendered by this Letter of Transmittal. The undersigned is (check one):

☐ a member of a national securities exchange in the United States, or
☐ a member bank of the Federal Reserve System.

(Firm—Please Print)

(Authorized Signature)

(Address)

(Area Code and Telephone Number)
LETTER OF TRANSMITTAL
To Accompany Notes of
THE CITY OF NEW YORK
Tendered Pursuant to Exchange Offer

The Offer Will Terminate at 5:00 P.M., Eastern Daylight Time, on
June 21, 1976 unless extended by the Corporation
(such time and date, as the same may be extended, being referred to herein as the "Expiration Date")
It is the present intention of the Corporation not to extend the Offer.


DESCRIPTION OF CITY NOTES TENDERED (See Instruction A)

<table>
<thead>
<tr>
<th>Name(s) and Address of Tendering Owner(s) (All information must be typed or printed)</th>
<th>Notes Enclosed (Attach list if necessary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note No.</td>
<td>Principal Amount</td>
</tr>
<tr>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

Name(s) .................................................................
Address .................................................................
(Number) ......................................................................
(Street) .................................................................
(City) ...........................................................................
(State) ...........................................................................
(Zip) .............................................................................
Total Principal Amount $ ..............................................

Tenders should be made as follows:

By hand:
UNITED STATES TRUST COMPANY
OF NEW YORK
Corporate Trust and Agency Services
(MAC Exchange)
20th Floor
130 John Street
New York, New York
(212) 344-8105

By hand only:
THE CHASE MANHATTAN BANK, N.A.
Jamaica Avenue Branch
161-10 Jamaica Avenue
Jamaica, New York 11432

149th Street Branch
369 East 149th Street
Bronx, New York 10455

Great Neck Branch
22 Grace Avenue
Great Neck Plaza, New York 11020

One New York Plaza Branch
One New York Plaza
New York, New York 10004

EXCHANGE AGENT
By mail:
UNITED STATES TRUST COMPANY
OF NEW YORK
Corporate Trust and Agency Services
(MAC Exchange)
130 John Street
New York, New York 10038
(212) 344-8105

FORWARDING AGENTS
By hand only:
CITIBANK, N.A.
Park Avenue—57th Street Branch
460 Park Avenue
New York, New York 10022

White Plains Branch
244 Main Street
White Plains, New York 10605

Freeport Branch
180 West Merrick Road
Freeport, New York 11520

Kings Highway Branch
1501 Kings Highway
Brooklyn, New York 11229

By hand only:
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Fifth Avenue Branch—44th Street
522 Fifth Avenue
New York, New York 10036

Please read carefully the tender provisions, the assignment, the appointment and the instructions contained in this Letter of Transmittal and then fill in the blanks and sign in the spaces provided. An improperly completed Letter of Transmittal may be returned and the resulting delay could prejudice the rights of a tendering holder of City Notes under the Exchange Offer.

Additional copies of this Letter of Transmittal may be obtained from the Exchange Agent and at many offices of banks and securities brokers throughout the country, including those referred to in this Letter of Transmittal. The Exchange Agent may be contacted by telephone at the special number shown above.

The method used to deliver this Letter of Transmittal and any accompanying Notes is at the option and risk of the undersigned, and delivery will be deemed effective only when effected in accordance with a method described in Instruction B. The Corporation does not recommend delivery by mail; but if delivery is by mail, it is strongly recommended that registered mail, return receipt requested, be used and that provisions for insurance or indemnification be made covering the full amount of principal and interest on the Notes.
TO THE EXCHANGE AGENT:

Pursuant to the Exchange Offer of the Municipal Assistance Corporation For The City of New York (the "Corporation") to the holders of revenue anticipation notes and bond anticipation notes (collectively, the "City Notes") of The City of New York (the "City"), as set forth in the Official Statement of the Corporation dated May 21, 1976 relating to the Exchange Offer (the "Official Statement"), receipt of which is hereby acknowledged, the undersigned hereby tenders the City Note or City Notes listed above (the "Notes"), subject to the reservation of the right to interest contained below under "Assignment", in exchange for a Bond or Bonds of the Corporation (the "Bonds") to which the undersigned is entitled under the terms of the Exchange Offer set forth in the Official Statement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to sell and transfer the Notes and to make the aforesaid reservation of the right to interest, and that the Corporation will acquire good and unencumbered title to the Notes, subject to such reservation of rights, free and clear of all liens, charges and encumbrances and not subject to any adverse claims, when the same are acquired by it in accordance with the Exchange Offer. All warranties herein contained shall survive consummation of the transaction contemplated hereby. The undersigned will, upon request, execute any additional documents necessary or desirable to complete the sale and transfer of the Notes. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and all obligations of the undersigned hereunder shall be binding upon the undersigned's heirs, personal representatives, successors and assigns. In consideration of the issuance to the undersigned (or in accordance with the directions of the undersigned specified herein) of the Bonds to which the undersigned is entitled under the terms of the Exchange Offer set forth in the Official Statement, and except as otherwise described herein, the undersigned hereby releases and discharges the City and the Corporation from any and all obligations, claims, liabilities or causes with respect to or arising out of the obligation to pay the principal amount of the Notes accepted by the Corporation. Except for the withdrawal rights stated in the Official Statement, this tender is irrevocable and unconditional.

ASSIGNMENT

Subject to the terms and conditions of the Exchange Offer set forth in the Official Statement and in this Letter of Transmittal, the undersigned hereby assigns and transfers unto the Corporation all right, title and interest in the Notes or, if less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation pursuant to the Exchange Offer, that portion of the original principal amount of the Notes accepted; provided, however, that such assignment and transfer does not include the right, title and interest of the undersigned to receive from the City the entire interest that the City has advised the Corporation that it will pay on the Notes accepted, accrued from the stated maturity date thereof through the Expiration Date, at the rate of 6 per centum (6%) per annum, or as may be otherwise provided by applicable law, which right is hereby reserved to the undersigned. The undersigned hereby appoints the Corporation attorney-in-fact of the undersigned, with full power of substitution, to enforce the right of the undersigned to receive the interest, to which the undersigned shall be entitled by applicable law, on the Notes accepted pursuant to the Exchange Offer in the event interest is not paid by the City on or prior to the anniversary of the stated maturity date of the Notes, and to remit the amounts, as and when collected, of such interest, after payment of the expenses of collection, including attorneys' fees and disbursements, in the manner so specified.

APPOINTMENT OF AGENT

If less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation pursuant to the Exchange Offer, the undersigned hereby appoints you, the Exchange Agent, as the undersigned's agent to effect delivery of the undersigned's Notes to the City, to receive from the City on behalf of the undersigned registered Notes, imprinted as described in the Official Statement, in the total aggregate principal amount of that portion of the original principal amount of the tendered City Notes not accepted as described in the Official Statement under the heading "Tender Procedure", and to transmit such Notes as specified herein. The undersigned understands that the marketability of the Notes may be adversely affected by such imprinted. In connection with such delivery to and receipt from the City, the undersigned instructs you to act as agent for the undersigned and agrees that neither you nor the Corporation shall have any obligations or responsibilities except as expressly set forth above and neither you nor the Corporation shall be responsible for the form, execution, validity, value or genuineness of any unaccepted Notes.

In connection with the receipt of the Bonds to which the undersigned is entitled pursuant to the terms of the Exchange Offer, the undersigned hereby appoints you as the undersigned's agent and instructs you to receive the Bonds on behalf of the undersigned and then to deliver the Bonds as specified herein.

Copies of the Exchange Offer Official Statement and this Letter of Transmittal may be obtained from the Exchange Agent, at The Chase Manhattan Bank, N.A., Citibank, N.A., Kidder, Peabody & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Guaranty Trust Company of New York, Salomon Brothers, and at many offices of other banks and securities dealers throughout the country. The availability of such documents from such organizations does not imply any recommendation by them as to the merits of the Exchange Offer or any representation by them as to the accuracy or completeness of the Exchange Offer Official Statement.
INSTRUCTIONS

Instruction A—DESCRIPTION OF CITY NOTES TENDERED

Specify the principal amount and serial numbers of the Notes. All Notes tendered must be tendered for the full principal amount thereof. As set forth in the Official Statement, Bonds issued in exchange for Notes will bear interest from the Expiration Date. Acknowledgments evidencing the reservation of the right to receive interest accrued on the Notes as described in the Official Statement will also be delivered by the Corporation.

Instruction B—METHOD OF DELIVERY

Delivery of the Notes may be effected by one of the following methods:

(1) Delivery to the Exchange Agent (by mail or by hand) or to any of the Forwarding Agents (by hand only), at the respective addresses set forth on the front of this Letter of Transmittal, at or prior to the Expiration Date (Note that tenders by mail will be accepted only if actually received by the Exchange Agent on or before the Expiration Date regardless of the date of mailing); or

(2) Delivery to the Exchange Agent by a member firm of a national securities exchange in the United States or a bank which is a member of the Federal Reserve System, if such firm or bank shall have advised the Exchange Agent in writing by telegram or otherwise at or prior to the Expiration Date that it has in its possession a duly completed and signed Letter of Transmittal and the accompanying City Notes, the serial numbers of which are specified in such telegram or other written notice, and guarantees that the same will be delivered to the Exchange Agent by 5:00 P.M., Eastern Daylight Time, on June 23, 1976 (regardless of any extension of the Expiration Date), and the same are actually so delivered. The “protection” procedure described in the preceding sentence will be available only through the Exchange Agent and not through the Forwarding Agents.

Instruction C—REGISTRATION DIRECTIONS

Unless otherwise specified in the box “SPECIAL REGISTRATION INSTRUCTIONS”, the Bonds and Acknowledgments will be registered in the name(s) of the tendering owner(s) specified in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED”. If more than one name is specified, the Bonds and Acknowledgments will be registered in such names as Joint Tenants with right of survivorship and not as Tenants in Common unless otherwise instructed.

Instruction D—DENOMINATIONS AND CALCULATION OF PRORATED VALUE

Specify the number of Notes of each denomination tendered by this Letter of Transmittal by inserting the number on the line opposite the applicable denomination. The space provided for calculation of prorated value is for use by the Exchange Agent only.

Instruction E—SIGNATURES

This Letter of Transmittal must be signed by the person(s) tendering the Notes. All persons tendering should read the box “AGREEMENT WITH THE CITY OF NEW YORK” before signing.

Instruction F—GENERAL

The Corporation reserves full discretion to determine whether the documentation with respect to Notes is complete and generally to determine all questions as to tenders, including the date and time of receipt of a tender, the propriety of execution of any document and other questions as to the eligibility or acceptability of any tender. The Corporation reserves the right to reject any tenders not in proper form or to waive any irregularities or conditions, and the Corporation’s interpretation of the terms and conditions of the Exchange Offer (including these instructions) will be final. No such tender will be deemed to have been made until all irregularities have been cured or waived. All improperly tendered City Notes will be returned, unless irregularities are waived, without cost to the tendering holder by the Exchange Agent.

All information must be clearly printed or typed.

Delivery of Bonds, Acknowledgments and any unaccepted Notes in accordance with the terms of the Exchange Offer will be made as described in the Official Statement under the heading “TENDER PROCEDURE”. The Bonds, Acknowledgments and any unaccepted Notes to be delivered pursuant to the Exchange Offer will be mailed by the Exchange Agent to the address appearing in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED” unless the box “SPECIAL REGISTRATION INSTRUCTIONS” is completed, in which case they shall be mailed to the address appearing therein. Checks to be delivered in payment of interest accrued on the accepted Notes as described in the Official Statement will be mailed to the address appearing in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED” unless the box “SPECIAL REGISTRATION INSTRUCTIONS” is completed, in which case they shall be mailed to the address appearing therein.
REGISTRATION DIRECTIONS (See Instructions C and F)
(Use only if Bonds are not to be registered in the name of the tendering owner(s) specified above.)

<table>
<thead>
<tr>
<th>Special Registration Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(All information must be typed or printed.)</td>
</tr>
</tbody>
</table>

Register in the name(s) of:

Name(s) ..............................................................................................................................................

(Use full given name(s), initial and last name)

Address .............................................................................................................................................

(Number) ...........................................................................................................................................

(Street) .............................................................................................................................................

(City) ................................................................................................................................................

(State) ..............................................................................................................................................

(Zip) ...................................................................................................................................................

DENOMINATIONS AND CALCULATION OF PRORATED VALUE (See Instruction D)

<table>
<thead>
<tr>
<th>Denominations of Tendered City Notes (Please complete.)</th>
<th>Calculation of Prorated Value (For use by Exchange Agent only.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Denomination</td>
<td>Number of Notes of Each Denomination*</td>
</tr>
<tr>
<td>$ 10,000</td>
<td>........................................</td>
</tr>
<tr>
<td>25,000</td>
<td>........................................</td>
</tr>
<tr>
<td>100,000</td>
<td>........................................</td>
</tr>
</tbody>
</table>

*Fill in the number of Notes of each denomination tendered hereby.

Total Aggregate Prorated Value (this Letter of Transmittal) $........................

AGREEMENT WITH THE CITY OF NEW YORK

By completing and delivering this Letter of Transmittal, THE UNDERSIGNED HEREBY REQUESTS AND AGREES with the City of New York that, if less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation:

1. A Note will be returned for each Note duly tendered with terms which will correspond to the terms of the tendered Note (the date of issue, stated maturity date, original stated principal amount and original stated interest rate), but which will not necessarily correspond with respect to the purpose for which the tendered Note was issued and will not necessarily bear the same serial number as the tendered Note.

2. The principal amount of indebtedness of the City represented by the returned Note will equal (a) the original stated principal amount minus (b) the principal amount thereof assigned to and accepted by the Corporation. The amount so assigned and accepted will be imprinted upon the returned Note, and the balance of the principal amount of indebtedness of the City remaining outstanding and represented by such Note as reduced will also be imprinted thereon. The aggregate principal amounts of returned Notes and Bonds of the Corporation delivered will equal the aggregate principal amounts of Notes tendered.

3. Each returned Note will be converted from bearer form to registered form and will be registered in the name and address specified for such purpose in the Letter of Transmittal. Each returned Note will state that it may be converted to bearer form by the City at the request of the registered holder, but will not be subsequently converted to registered form.

SIGNATURE (See Instruction E)

Dated ........................................ 1976

To Be Used Only For Delivery To Exchange Agent And Only If City Notes Are Not Transmitted Herewith

The undersigned guarantees to deliver to you by 5:00 P.M., Eastern Daylight Time, on June 23, 1976 (regardless of any extension of the Expiration Date) the City Notes bearing the serial numbers set forth on page one hereof tendered by this Letter of Transmittal. The undersigned is (check one):

☐ a member of a national securities exchange in the United States, or
☐ a member bank of the Federal Reserve System.

(Firm—Please Print)

(Authorized Signature)

(Address)

(Area Code and Telephone Number)
This Letter of Transmittal is for use only in connection with the tender of City Notes with a stated maturity date of DECEMBER 11, 1975 (the payment of which has been suspended pursuant to the New York State Emergency Moratorium Act for the City of New York).

LETTER OF TRANSMITTAL
To Accompany Notes of
THE CITY OF NEW YORK
Tendered Pursuant to Exchange Offer

The Offer Will Terminate at 5:00 P.M., Eastern Daylight Time, on June 21, 1976 unless extended by the Corporation (such time and date, as the same may be extended, being referred to herein as the “Expiration Date”) It is the present intention of the Corporation not to extend the Offer.


DESCRIPTION OF CITY NOTES TENDERED (See Instruction A)

<table>
<thead>
<tr>
<th>Name(s) and Address of Tendering Owner(s) (All information must be typed or printed)</th>
<th>Notes Enclosed (Attach list if necessary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name(s) ..........................................................................................................................</td>
<td></td>
</tr>
<tr>
<td>Address ..............................................................................................................................</td>
<td></td>
</tr>
<tr>
<td>(Number) (Street) ...............................................................................................................</td>
<td></td>
</tr>
<tr>
<td>(City) (State) (Zip) ...........................................................................................................</td>
<td></td>
</tr>
<tr>
<td>Telephone Number ..............................................................................................................</td>
<td>$</td>
</tr>
<tr>
<td>(Area code) .......................................................................................................................</td>
<td></td>
</tr>
</tbody>
</table>

Total Principal Amount $

Tenders should be made as follows:

By hand:

UNITED STATES TRUST COMPANY
OF NEW YORK
Corporate Trust and Agency Services
(MAC Exchange)
20th Floor
130 John Street
New York, New York
(212) 344-5105

By mail:

UNITED STATES TRUST COMPANY
OF NEW YORK
Corporate Trust and Agency Services
(MAC Exchange)
130 John Street
New York, New York 10038
(212) 344-5105

EXCHANGE AGENT

FORWARDING AGENTS

By hand:

THE CHASE MANHATTAN BANK, N. A.
Jamaica Avenue Branch
161-10 Jamaica Avenue
Jamaica, New York 11432

149th Street Branch
369 East 149th Street
Bronx, New York 10455

Great Neck Branch
22 Grace Avenue
Great Neck Plaza, New York 11020

One New York Plaza Branch
One New York Plaza
New York, New York 10004

CITIBANK, N. A.
Park Avenue—57th Street Branch
460 Park Avenue
New York, New York 10022

White Plains Branch
244 Main Street
White Plains, New York 10605

Freeport Branch
180 West Merrick Road
Freeport, New York 11520

Kings Highway Branch
1501 Kings Highway
Brooklyn, New York 11229

Please read carefully the tender provisions, the assignment, the appointment and the instructions contained in this Letter of Transmittal and then fill in the blanks and sign in the spaces provided. An improperly completed Letter of Transmittal may be returned and the resulting delay could prejudice the rights of a tendering holder of City Notes under the Exchange Offer.

Additional copies of this Letter of Transmittal may be obtained from the Exchange Agent and at many offices of banks and securities brokers throughout the country, including those referred to in this Letter of Transmittal. The Exchange Agent may be contacted by telephone at the special number shown above.

The method used to deliver this Letter of Transmittal and any accompanying Notes is at the option and risk of the undersigned, and delivery will be deemed effective only when effected in accordance with a method described in Instruction B. The Corporation does not recommend delivery by mail; but if delivery is by mail, it is strongly recommended that registered mail, return receipt requested, be used and that provisions for insurance or indemnification be made covering the full amount of principal and interest on the Notes.
TO THE EXCHANGE AGENT:

Pursuant to the Exchange Offer of the Municipal Assistance Corporation For The City of New York (the “Corporation”) to the holders of revenue anticipation notes and bond anticipation notes (collectively, the “City Notes”) of The City of New York (the “City”), as set forth in the Official Statement of the Corporation dated May 21, 1976 relating to the Exchange Offer (the “Official Statement”), receipt of which is hereby acknowledged, the undersigned hereby tenders the City Note or City Notes listed above (the “Notes”), subject to the reservation of the right to interest contained below under “Assignment”, in exchange for a Bond or Bonds of the Corporation (the “Bonds”) to which the undersigned is entitled under the terms of the Exchange Offer set forth in the Official Statement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to sell and transfer the Notes and to make the aforesaid reservation of the right to interest, and that the Corporation will acquire good and unencumbered title to the Notes, subject to such reservation of rights, free and clear of all liens, charges and encumbrances and not subject to any adverse claims, when the same are acquired by it in accordance with the Exchange Offer. All warranties herein contained shall survive consummation of the transaction contemplated hereby. The undersigned will, upon request, execute any additional documents necessary or desirable to complete the sale and transfer of the Notes. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and all obligations of the undersigned hereunder shall be binding upon the undersigned’s heirs, personal representatives, successors and assigns. In consideration of the issuance to the undersigned (or in accordance with the directions of the undersigned specified herein) of the Bonds to which the undersigned is entitled under the terms of the Exchange Offer set forth in the Official Statement, and except as otherwise described herein, the undersigned hereby releases and discharges the City and the Corporation from any and all obligations, claims, liabilities or causes with respect to or arising out of the obligation to pay the principal amount of the Notes accepted by the Corporation. Except for the withdrawal rights stated in the Official Statement, this tender is irrevocable and unconditional.

ASSIGNMENT

Subject to the terms and conditions of the Exchange Offer set forth in the Official Statement and in this Letter of Transmittal, the undersigned hereby assigns and transfers unto the Corporation all right, title and interest in the Notes or, if less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation pursuant to the Exchange Offer, that portion of the original principal amount of the Notes accepted; provided, however, that such assignment and transfer does not include the right, title and interest of the undersigned to receive from the City the entire interest that the City has advised the Corporation that it will pay on the Notes accepted, accrued from the stated maturity date thereof through the Expiration Date, at the rate of 6 per centum (6%) per annum, or as may be otherwise provided by applicable law, which right is hereby reserved to the undersigned. The reservation of such right, title and interest will be evidenced by a completed form of Acknowledgment of Interest Right (the “Acknowledgment”) delivered as specified herein. The undersigned hereby appoints the Corporation attorney-in-fact of the undersigned, with full power of substitution, to enforce the right of the undersigned to receive the interest, to which the undersigned shall be entitled by applicable law, on the Notes accepted pursuant to the Exchange Offer in the event interest is not paid by the City on or prior to the anniversary of the stated maturity date of the Notes, and to remit the amounts, as and when collected, of such interest, after payment of the expenses of collection, including attorneys’ fees and disbursements, in the manner so specified.

APPOINTMENT OF AGENT

If less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation pursuant to the Exchange Offer, the undersigned hereby appoints you, the Exchange Agent, as the undersigned’s agent to effect delivery of the undersigned’s Notes to the City, to receive from the City on behalf of the undersigned registered Notes, imprinted as described in the Official Statement, in the aggregate principal amount of that portion of the original principal amount of the tendered City Notes not accepted as described in the Official Statement under the heading “Tender Procedure”, and to transmit such Notes as specified herein. The undersigned understands that the marketability of the Notes may be adversely affected by such imprinting. In connection with such delivery to and receipt from the City, the undersigned instructs you to act as agent for the undersigned and agrees that neither you nor the Corporation shall have any obligations or responsibilities except as expressly set forth above and neither you nor the Corporation shall be responsible for the form, execution, validity, value or genuineness of any unaccepted Notes.

In connection with the receipt of the Bonds to which the undersigned is entitled pursuant to the terms of the Exchange Offer, the undersigned hereby appoints you as the undersigned’s agent and instructs you to receive the Bonds on behalf of the undersigned and then to deliver the Bonds as specified herein.

Copies of the Exchange Offer Official Statement and this Letter of Transmittal may be obtained from the Exchange Agent, at The Chase Manhattan Bank, N.A., Citibank, N.A., Kidder, Peabody & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Guaranty Trust Company of New York, Salomon Brothers, and at many offices of other banks and securities dealers throughout the country. The availability of such documents from such organizations does not imply any recommendation by them as to the merits of the Exchange Offer or any representation by them as to the accuracy or completeness of the Exchange Offer Official Statement.
INSTRUCTIONS

Instruction A—DESCRIPTION OF CITY NOTES TENDERED

Specify the principal amount and serial numbers of the Notes. All Notes tendered must be tendered for the full principal amount thereof. As set forth in the Official Statement, Bonds issued in exchange for Notes will bear interest from the Expiration Date. Acknowledgments evidencing the reservation of the right to receive interest accrued on the Notes as described in the Official Statement will also be delivered by the Corporation.

Instruction B—METHOD OF DELIVERY

Delivery of the Notes may be effected by one of the following methods:

(1) Delivery to the Exchange Agent (by mail or by hand) or to any of the Forwarding Agents (by hand only), at the respective addresses set forth on the front of this Letter of Transmittal, at or prior to the Expiration Date (Note that tenders by mail will be accepted only if actually received by the Exchange Agent on or before the Expiration Date regardless of the date of mailing); or

(2) Delivery to the Exchange Agent by a member firm of a national securities exchange in the United States or a bank which is a member of the Federal Reserve System, if such firm or bank shall have advised the Exchange Agent in writing by telegram or otherwise at or prior to the Expiration Date that it has in its possession a duly completed and signed Letter of Transmittal and the accompanying City Notes, the serial numbers of which are specified in such telegram or other written notice, and guarantees that the same will be delivered to the Exchange Agent by 5:00 P.M., Eastern Daylight Time, on June 23, 1976 (regardless of any extension of the Expiration Date), and the same are actually so delivered. The “protection” procedure described in the preceding sentence will be available only through the Exchange Agent and not through the Forwarding Agents.

Instruction C—REGISTRATION DIRECTIONS

Unless otherwise specified in the box “SPECIAL REGISTRATION INSTRUCTIONS”, the Bonds and Acknowledgments will be registered in the name(s) of the tendering owner(s) specified in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED”. If more than one name is specified, the Bonds and Acknowledgments will be registered in such names as Joint Tenants with right of survivorship and not as Tenants in Common unless otherwise instructed.

Instruction D—DENOMINATIONS AND CALCULATION OF PRORATED VALUE

Specify the number of Notes of each denomination tendered by this Letter of Transmittal by inserting the number on the line opposite the applicable denomination. The space provided for calculation of prorated value is for use by the Exchange Agent only.

Instruction E—SIGNATURES

This Letter of Transmittal must be signed by the person(s) tendering the Notes. All persons tendering should read the box “AGREEMENT WITH THE CITY OF NEW YORK” before signing.

Instruction F—GENERAL

The Corporation reserves full discretion to determine whether the documentation with respect to Notes is complete and generally to determine all questions as to tenders, including the date and time of receipt of a tender, the propriety of execution of any document and other questions as to the eligibility or acceptability of any tender. The Corporation reserves the right to reject any tenders not in proper form or to waive any irregularities or conditions, and the Corporation’s interpretation of the terms and conditions of the Exchange Offer (including these instructions) will be final. No such tender will be deemed to have been made until all irregularities have been cured or waived. All improperly tendered City Notes will be returned, unless irregularities are waived, without cost to the tendering holder by the Exchange Agent.

All information must be clearly printed or typed.

Delivery of Bonds, Acknowledgments and any unaccepted Notes in accordance with the terms of the Exchange Offer will be made as described in the Official Statement under the heading “TENDER PROCEDURE”. The Bonds, Acknowledgments and any unaccepted Notes to be delivered pursuant to the Exchange Offer will be mailed by the Exchange Agent to the address appearing in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED” unless the box “SPECIAL REGISTRATION INSTRUCTIONS” is completed, in which case they shall be mailed to the address appearing therein. Checks to be delivered in payment of interest accrued on the accepted Notes as described in the Official Statement will be mailed to the address appearing in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED” unless the box “SPECIAL REGISTRATION INSTRUCTIONS” is completed, in which case they shall be mailed to the address appearing therein.
REGISTRATION DIRECTIONS (See Instructions C and F)
(Use only if Bonds are not to be registered in the name of the tendering owner(s) specified above.)

Special Registration Instructions
(All information must be typed or printed.)

Register in the name(s) of:

Name(s) ....................................................................................................................
(Use full given name(s), initial and last name)

Address ......................................................................................................................
(Number) (Street)

(City) (State) (Zip)

DENOMINATIONS AND CALCULATION OF PRORATED VALUE (See Instruction D)

<table>
<thead>
<tr>
<th>Denominations of Tendered City Notes (Please complete.)</th>
<th>Calculation of Prorated Value (For use by Exchange Agent only.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Denomination</td>
<td>Number of Notes of Each Denomination</td>
</tr>
<tr>
<td>$10,000</td>
<td>x</td>
</tr>
<tr>
<td>25,000</td>
<td>x</td>
</tr>
<tr>
<td>100,000</td>
<td>x</td>
</tr>
</tbody>
</table>

*Fill in the number of Notes of each denomination tendered hereby.

Total Aggregate Prorated Value
(this Letter of Transmittal) $ ______________________________

AGREEMENT WITH THE CITY OF NEW YORK

By completing and delivering this Letter of Transmittal, THE UNDERSIGNED HEREBY REQUESTS AND AGREES with the City of New York that, if less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation:

1. A Note will be returned for each Note duly tendered with terms which will correspond to the terms of the tendered Note (the date of issue, stated maturity date, original stated principal amount and original stated interest rate), but which will not necessarily correspond with respect to the purpose for which the tendered Note was issued and will not necessarily bear the same serial number as the tendered Note.

2. The principal amount of indebtedness of the City represented by the returned Note will equal (a) the original stated principal amount minus (b) the principal amount thereof assigned to and accepted by the Corporation. The amount so assigned and accepted will be imprinted upon the returned Note, and the balance of the principal amount of indebtedness of the City remaining outstanding and represented by each Note as reduced will also be imprinted thereon. The aggregate principal amounts of returned Notes and Bonds of the Corporation delivered will equal the aggregate principal amounts of Notes tendered.

3. Each returned Note will be converted from bearer form to registered form and will be registered in the name and address specified for such purpose in the Letter of Transmittal. Each returned Note will state that it may be converted to bearer form by the City at the request of the registered holder, but will not be subsequently converted to registered form.

SIGNATURE (See Instruction E)

Dated ..............................................1976 ..............................................

(Signature(s))

To Be Used Only For Delivery To Exchange Agent And Only If City Notes Are Not Transmitted Herewith

The undersigned guarantees to deliver to you by 5:00 P.M., Eastern Daylight Time, on June 23, 1976 (regardless of any extension of the Expiration Date) the City Notes bearing the serial numbers set forth on page one hereof tendered by this Letter of Transmittal. The undersigned is (check one):

☐ a member of a national securities exchange in the United States, or
☐ a member bank of the Federal Reserve System.

(Firm Please Print)

(Authorized Signature)

(Address)

(Area Code and Telephone Number)
LETTER OF TRANSMITTAL
To Accompany Notes of
THE CITY OF NEW YORK
Tendered Pursuant to Exchange Offer

The Offer Will Terminate at 5:00 P.M., Eastern Daylight Time, on June 21, 1976 unless extended by the Corporation (such time and date, as the same may be extended, being referred to herein as the “Expiration Date”).

It is the present intention of the Corporation not to extend the Offer.


DESCRIPTION OF CITY NOTES TENDERED (See Instruction A)

<table>
<thead>
<tr>
<th>Name(s) and Address of Tendering Owner(s)</th>
<th>Notes Enclosed (Attach list if necessary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note No.</td>
<td>Principal Amount</td>
</tr>
<tr>
<td>----------</td>
<td>------------------</td>
</tr>
</tbody>
</table>

Name(s) .........................................................................................................................
Address ..............................................................................................................................
(Number) (Street) (City) (State) (Zip)
Telephone Number (Area code)

Tenders should be made as follows:

By hand:

UNITED STATES TRUST COMPANY
OF NEW YORK
Corporate Trust and Agency Services
(MAC Exchange)
20th Floor
130 John Street
New York, New York
(212) 344-5105

By mail:

EXCHANGE AGENT
By mail:

UNITED STATES TRUST COMPANY
OF NEW YORK
Corporate Trust and Agency Services
(MAC Exchange)
130 John Street
New York, New York 10038
(212) 344-5105

FORWARDING AGENTS
By hand only:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Fifth Avenue Branch—44th Street
522 Fifth Avenue
New York, New York 10036

By hand only:

THE CHASE MANHATTAN
BANK, N. A.
Jamaica Avenue Branch
161-10 Jamaica Avenue
Jamaica, New York 11432

149th Street Branch
369 East 149th Street
Bronx, New York 10455

Great Neck Branch
22 Grace Avenue
Great Neck Plaza, New York 11020

One New York Plaza Branch
One New York Plaza
New York, New York 10004

Please read carefully the tender provisions, the assignment, the appointment and the instructions contained in this Letter of Transmittal and then fill in the blanks and sign in the spaces provided. An improperly completed Letter of Transmittal may be returned and the resulting delay could prejudice the rights of a tendering holder of City Notes under the Exchange Offer.

Additional copies of this Letter of Transmittal may be obtained from the Exchange Agent and at many offices of banks and securities brokers throughout the country, including those referred to in this Letter of Transmittal. The Exchange Agent may be contacted by telephone at the special number shown above.

The method used to deliver this Letter of Transmittal and any accompanying Notes is at the option and risk of the undersigned, and delivery will be deemed effective only when effected in accordance with a method described in Instruction B. The Corporation does not recommend delivery by mail; but if delivery is by mail, it is strongly recommended that registered mail, return receipt requested, be used and that provisions for insurance of indemnification be made covering the full amount of principal and interest on the Notes.
The undersigned hereby represents and warrants that the undersigned has full power and authority to sell and transfer the Notes and to make the aforesaid reservation of the right to interest, and that the Corporation will charge and encumbrances and not subject to any adverse claims, when the same are acquired by it in accordance with the Exchange Offer. All warranties herein contained shall survive consummation of the transaction contemplated hereby. The undersigned will, upon request, execute any additional documents necessary or desirable to complete the sale and transfer of the Notes. All authority herein conferred or agreed to be conferred shall be binding upon the undersigned's heirs, personal representatives, successors and assigns. In consideration of the issuance to the undersigned (or in accordance with the directions of the undersigned specified herein) of the Bonds to which the undersigned is entitled, the undersigned hereby releases and discharges the Corporation from any and all obligations, claims, liabilities or causes with respect to or arising out of the obligation to pay the principal amount of the Notes accepted by the Corporation. Except for the withdrawal rights stated in the Official Statement, this tender is irrevocable and unconditional.

ASSIGNMENT

Subject to the terms and conditions of the Exchange Offer set forth in the Official Statement and in this Letter of Transmittal, the undersigned hereby assigns and transfers unto the Corporation all right, title and interest in the Notes of, if less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation pursuant to the Exchange Offer, that portion of the original principal amount of the Notes accepted; provided, however, that such assignment and transfer does not include the right, title and interest of the undersigned to receive from the Corporation the entire interest that the Corporation that it will pay on the Notes accepted, accrued from the stated maturity date thereof through the Expiration Date, at the rate of 6% per annum, or as may be otherwise provided by applicable law, which right is hereby reserved to the undersigned. The undersigned appoints the Corporation attorney-in-fact of the undersigned, with full power of substitution, to enforce the right of the undersigned to receive the interest, to which the undersigned shall be entitled by applicable law, on the Notes accepted pursuant to the Exchange Offer in the event interest is not paid by the Corporation on or prior to the anniversary of the stated maturity date of the Notes, and to remit the amounts, as and when collected, of such interest, after payment of the expenses of collection, including attorneys' fees and disbursements, in the manner so specified.

APPOINTMENT OF AGENT

If less than all of the aggregate principal amount of the Notes tendered is accepted by the Corporation pursuant to the Exchange Offer, the undersigned hereby appoints you, the Exchange Agent, as the undersigned's agent to effect delivery of the undersigned's Notes to the Corporation, to receive from the Corporation on behalf of the undersigned registered Notes, imprinted as described in the Official Statement, in the total aggregate principal amount of that portion of the original principal amount of the tendered City Notes not accepted as described in the Official Statement under the heading "Tender Procedure", and to transmit such Notes as specified herein. The undersigned understands that the marketability of the Notes may be adversely affected by such imprints, in connection with such delivery and receipt from the Corporation, the undersigned instructs you to act as agent for the undersigned and agrees that neither you nor the Corporation shall have any obligations or responsibilities except as expressly set forth above and neither you nor the Corporation shall be responsible for the form, execution, validity, value or genuineness of any unaccepted Notes.

In connection with the receipt of the Bonds to which the undersigned is entitled pursuant to the terms of the Exchange Offer, the undersigned hereby appoints you as the undersigned's agent and instructs you to receive the Bonds on behalf of the undersigned and then to deliver the Bonds as specified herein.

Copies of the Exchange Offer Official Statement and this Letter of Transmittal may be obtained from the Exchange Agent, at The Chase Manhattan Bank, N.A., Citibank, N.A., Kidder, Peabody & Co., Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Guaranty Trust Company of New York, Salomon Brothers, and at many offices of other banks and securities dealers throughout the country. The availability of such documents from such organizations does not imply any recommendation by them as to the merits of the Exchange Offer or any representation by them as to the accuracy or completeness of the Exchange Offer Official Statement.
Instruction A—DESCRIPTION OF CITY NOTES TENDERED

Specify the principal amount and serial numbers of the Notes. All Notes tendered must be tendered for the full principal amount thereof. As set forth in the Official Statement, Bonds issued in exchange for Notes will bear interest from the Expiration Date. Acknowledgments evidencing the reservation of the right to receive interest accrued on the Notes as described in the Official Statement will also be delivered by the Corporation.

Instruction B—METHOD OF DELIVERY

Delivery of the Notes may be effected by one of the following methods:

(1) Delivery to the Exchange Agent (by mail or by hand) or to any of the Forwarding Agents (by hand only), at the respective addresses set forth on the front of this Letter of Transmittal, at or prior to the Expiration Date (Note that tenders by mail will be accepted only if actually received by the Exchange Agent on or before the Expiration Date regardless of the date of mailing.); or

(2) Delivery to the Exchange Agent by a member firm of a national securities exchange in the United States or a bank which is a member of the Federal Reserve System, if such firm or bank shall have advised the Exchange Agent in writing by telegram or otherwise at or prior to the Expiration Date that it has in its possession a duly completed and signed Letter of Transmittal and the accompanying City Notes, the serial numbers of which are specified in such telegram or other written notice, and guarantees that the same will be delivered to the Exchange Agent by 5:00 P.M., Eastern Daylight Time, on June 23, 1976 (regardless of any extension of the Expiration Date), and the same are actually so delivered. The “protection” procedure described in the preceding sentence will be available only through the Exchange Agent and not through the Forwarding Agents.

Instruction C—REGISTRATION DIRECTIONS

Unless otherwise specified in the box “SPECIAL REGISTRATION INSTRUCTIONS”, the Bonds and Acknowledgments will be registered in the name(s) of the tendering owner(s) specified in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED”. If more than one name is specified, the Bonds and Acknowledgments will be registered in such names as Joint Tenants with right of survivorship and not as Tenants in Common unless otherwise instructed.

Instruction D—DENOMINATIONS AND CALCULATION OF PRORATED VALUE

Specify the number of Notes of each denomination tendered by this Letter of Transmittal by inserting the number on the line opposite the applicable denomination. The space provided for calculation of prorated value is for use by the Exchange Agent only.

Instruction E—SIGNATURES

This Letter of Transmittal must be signed by the person(s) tendering the Notes. All persons tendering should read the box “AGREEMENT WITH THE CITY OF NEW YORK” before signing.

Instruction F—GENERAL

The Corporation reserves full discretion to determine whether the documentation with respect to Notes is complete and generally to determine all questions as to tenders, including the date and time of receipt of a tender, the propriety of execution of any document and other questions as to the eligibility or acceptability of any tender. The Corporation reserves the right to reject any tenders not in proper form or to waive any irregularities or conditions, and the Corporation’s interpretation of the terms and conditions of the Exchange Offer (including these instructions) will be final. No such tender will be deemed to have been made until all irregularities have been cured or waived. All improperly tendered City Notes will be returned, unless irregularities are waived, without cost to the tendering holder by the Exchange Agent.

All information must be clearly printed or typed.

Delivery of Bonds, Acknowledgments and any unaccepted Notes in accordance with the terms of the Exchange Offer will be made as described in the Official Statement under the heading “TENDER PROCEDURE”. The Bonds, Acknowledgments and any unaccepted Notes to be delivered pursuant to the Exchange Offer will be mailed by the Exchange Agent to the address appearing in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED” unless the box “SPECIAL REGISTRATION INSTRUCTIONS” is completed, in which case they shall be mailed to the address appearing therein. Checks to be delivered in payment of interest accrued on the accepted Notes as described in the Official Statement will be mailed to the address appearing in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED” unless the box “SPECIAL REGISTRATION INSTRUCTIONS” is completed, in which case they shall be mailed to the address appearing therein.
Special Registration Instructions
(All information must be typed or printed.)
Register in the name(s) of:
Name(s) ........................................................................
(Address) ........................................................................
(Number) (Street) (City) (State) (Zip)

DENOMINATIONS AND CALCULATION OF PRORATED VALUE (See Instruction D)

<table>
<thead>
<tr>
<th>Note Denomination</th>
<th>Number of Notes of Each Denomination</th>
<th>Calculation of Prorated Value</th>
<th>Total Prorated Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td></td>
<td>$........................... = $........................... = $...........................</td>
<td></td>
</tr>
<tr>
<td>25,000</td>
<td></td>
<td>$........................... = $........................... = $...........................</td>
<td></td>
</tr>
<tr>
<td>100,000</td>
<td></td>
<td>$........................... = $........................... = $...........................</td>
<td></td>
</tr>
</tbody>
</table>

*Fill in the number of Notes of each denomination tendered hereby.

AGREEMENT WITH THE CITY OF NEW YORK
By completing and delivering this Letter of Transmittal, THE UNDERSIGNED HEREBY REQUESTS AND AGREES
with the City of New York that, if less than all of the aggregate principal amount of the Notes tendered is accepted by the
Corporation:
1. A Note will be returned for each Note duly tendered with terms which will correspond to the terms of
the tendered Note (the date of issue, stated maturity date, original stated principal amount and original stated interest
rate), but which will not necessarily correspond with respect to the purpose for which the tendered Note was issued and
will not necessarily bear the same serial number as the tendered Note.
2. The principal amount of indebtedness of the City represented by the returned Note will equal (a) the original stated
principal amount minus (b) the principal amount thereof assigned to and accepted by the Corporation. The amount
so assigned and accepted will be imprinted upon the returned Note, and the balance of the principal amount of indebtedness
of the City remaining outstanding and represented by such Note as reduced will also be imprinted thereon. The
aggregate principal amounts of returned Notes and Bonds of the Corporation delivered will equal the aggregate principal
amounts of Notes tendered.
3. Each returned Note will be converted from bearer form to registered form and will be registered in the name
and address specified for such purpose in the Letter of Transmittal. Each returned Note will state that it may be
converted to bearer form by the City at the request of the registered holder, but will not be subsequently converted to
registered form.

SIGNATURE (See Instruction E)
Dated ........................................ 1976

To Be Used Only For Delivery To Exchange Agent And
Only If City Notes Are Not Transmitted Herewith
The undersigned guarantees to deliver to you by 5:00 P.M., Eastern Daylight Time, on June 23, 1976
(regardless of any extension of the Expiration Date) the City Notes bearing the serial numbers set forth on
page one hereof tendered by this Letter of Transmittal. The undersigned is (check one):
□ a member of a national securities exchange in the United States, or
□ a member bank of the Federal Reserve System.

(Firm—Please Print)

(Authorized Signature)

(Address)

(Area Code and Telephone Number)
Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, N. Y. 10047

Exchange Offer by

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

8% 1976 Bonds due July 1, 1991
Series 5

To Holders of Short-Term Notes of

THE CITY OF NEW YORK
With Stated Maturity Dates of December 11, 1975,
January 12, 1976, February 13, 1976 and March 12, 1976

May 21, 1976

To Holders of Short-Term Notes of The City of New
York With Stated Maturity Dates of December 11,
1975, January 12, 1976, February 13, 1976 and
March 12, 1976:

The Municipal Assistance Corporation For The City of New York is offering to exchange with any
and all holders of certain revenue anticipation notes and bond anticipation notes of The City of New York
its 1976 Bonds, Series 5, subject to the terms and conditions set forth in the Exchange Offer Official

Enclosed herewith are the following Exchange Offer Documents:

1. Exchange Offer Official Statement
2. Letters of Transmittal
3. Return Envelope to Exchange Agent

You are urged to review the Exchange Offer Official Statement most carefully.

The Exchange Offer will expire on June 21, 1976, unless extended by the Corporation.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
Municipal Assistance Corporation  
For The City of New York  
Two World Trade Center  
New York, N. Y. 10047  

Exchange Offer by  

MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK  
(A Corporate Governmental Agency and Instrumentality  
of the State of New York)  
8% 1976 Bonds due July 1, 1991  
Series 5  

To Holders of Short-Term Notes of  
THE CITY OF NEW YORK  
With Stated Maturity Dates of December 11, 1975,  
January 12, 1976, February 13, 1976 and March 12, 1976  

May 21, 1976  

TO ALL MUNICIPAL BOND DEALERS:  
The Municipal Assistance Corporation For The City of New York is offering to exchange with any  
and all holders of certain revenue anticipation notes and bond anticipation notes of The City of New York  
its 1976 Bonds, Series 5, subject to the terms and conditions set forth in the Exchange Offer Official  

Enclosed herewith are 25 copies of each of the following Exchange Offer Documents:  
1. Exchange Offer Official Statement  
2. Letters of Transmittal  
3. Return Envelope to Exchange Agent  

Please contact Pandick Press, Inc., Financial Printers, Telephone No. (212) 741-5456, should you  
require additional quantities of any of the above documents.  

In transmitting the Exchange Offer Documents to you, we do not authorize you to act as our agents.  
No solicitation fees or expenses shall be paid to you in connection with the Exchange Offer.  

Very truly yours,  

MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK  

NOTICE: Unless you are further notified by us, do not send copies of the Exchange Offer Documents to  
your customers in Maine.
CERTIFICATE OF THE
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
AS TO PUBLICATION OF NOTICE OF
EXCHANGE OFFER

I, JAMES R. KEEGAN, Secretary 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 (the "Act"), HEREBY CERTIFY as follows:

1. That I am a duly appointed and qualified Secretary of the Corporation, acting as such, and in such capacity I am familiar with its organization, membership and activities.

2. An advertisement, substantially in the form of the advertisement annexed hereto as Exhibit 1, was published in the publications referred to at the times specified in the Schedule annexed hereto as Exhibit 2.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Corporation this 30th day of June, 1976.

James R. Keegan, Secretary

(SEAL)
Notice of Exchange Offer by
Municipal Assistance Corporation
For The City of New York
(A Corporate Governmental Agency and Instrumentality of the State of New York)

8% 1976 Series 5 Bonds due July 1, 1991

To the Holders of
Outstanding Short-Term Notes of
The City of New York

Subject to the terms and conditions set forth in the Exchange Offer Official Statement dated May 21, 1976, the Municipal Assistance Corporation For The City of New York (the "Corporation") is offering to exchange with holders of up to $500,000,000 principal amount of certain revenue anticipation notes and bond anticipation notes of The City of New York with stated maturity dates of December 11, 1975, January 12, 1976, February 13, 1976, and March 12, 1976 (the "1975 Bonds") for its 1976 Series 5 Bonds in an aggregate principal amount equal to such aggregate principal amount of the City Notes tendered hereunder. The Corporation may, but is not obligated to, accept any amount of City Notes tendered in excess of $500,000,000. If a principal amount of City Notes greater than $500,000,000 is tendered to the Corporation and the Corporation determines either not to accept an amount greater than $500,000,000 or to accept an amount greater than $500,000,000 but less than the total amount of City Notes tendered, the Corporation will accept City Notes tendered on a pro rata basis as is more fully described in the Exchange Offer Official Statement.

Persons exchanging their City Notes pursuant to the Exchange Offer will retain the right to receive interest from the City for the period commencing on the stated maturity date or dates of their City Notes and concluding on the Expiration Date of the Exchange Offer.

The Corporation has no taxing power. The 1976 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 1976 Bonds.

The Exchange Offer will expire at 5:00 P.M., Eastern Daylight Time, on June 21, 1976, unless extended at the election of the Corporation (such date and time, as they may be extended, being referred to as the "Expiration Date"). All tenders are revocable until 3:30 P.M., Eastern Daylight Time, on June 7, 1976, and thereafter are irrevocable. At the election of the Corporation, the Exchange Offer may be extended, but it is the present intention of the Corporation not to extend the Offer.

Holders of City Notes are urged to review the Exchange Offer Official Statement carefully. Those desiring to accept the Exchange Offer may do so by completing and executing the appropriate Letter of Transmittal and mailing or delivering it together with the City Notes so that such Letter and the City Notes are received not later than the Expiration Date by the Exchange Agent. Tenders by mail will be accepted only if actually received by the Exchange Agent on or before the Expiration Date regardless of the date of mailing. The Exchange Offer may also be accepted by making delivery (not mailing) at certain locations in New York City specified in the Letters of Transmittal.

Copies of the Exchange Offer Official Statement and the Letters of Transmittal may be obtained from the Exchange Agent, at The Chase Manhattan Bank, N.A., Citibank, N.A., Kidder, Peabody & Co. Incorporated, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Guaranty Trust Company of New York, Salomon Brothers, and at many offices of other banks and securities dealers throughout the country. The availability of such documents from such organizations does not imply any recommendation by them as to the merits of the Exchange Offer or any representation by them as to the accuracy or completeness of the Exchange Offer Official Statement.

Exchange Agent:

UNITED STATES TRUST COMPANY
OF NEW YORK

By Hand

By Mail

Corporate Trust and Agency
Services (MAC Exchange)
130 John Street
New York, N.Y. 10038
(212) 344-5106

Corporate Trust and Agency
Services (MAC Exchange)
130 John Street
New York, N.Y. 10038
(212) 344-5106

May 21, 1976
Notice of Exchange Offer - New York City Notes

<table>
<thead>
<tr>
<th>Publication</th>
<th>Issue</th>
<th>Rate</th>
<th>Space</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEW YORK</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York Times</td>
<td>M</td>
<td>$5.58</td>
<td>195x4</td>
<td>$4,352.40</td>
</tr>
<tr>
<td>Buffalo News</td>
<td>E</td>
<td>1.45</td>
<td></td>
<td>1,131.00</td>
</tr>
<tr>
<td>New York News Post</td>
<td>M</td>
<td>8.25</td>
<td>200x4</td>
<td>6,600.00</td>
</tr>
<tr>
<td>Newsday</td>
<td>E</td>
<td>3.70</td>
<td></td>
<td>2,960.00</td>
</tr>
<tr>
<td><strong>ARIZONA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phoenix Republic &amp; Gazette</td>
<td>ME</td>
<td>1.60</td>
<td>175x4</td>
<td>1,120.00</td>
</tr>
<tr>
<td><strong>CALIFORNIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Los Angeles Times</td>
<td>M</td>
<td>4.10</td>
<td></td>
<td>2,870.00</td>
</tr>
<tr>
<td>San Francisco Chronicle &amp;</td>
<td>ME</td>
<td>3.97</td>
<td></td>
<td>2,779.00</td>
</tr>
<tr>
<td>Examiner</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DISTRICT OF COLUMBIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washington Post</td>
<td>M</td>
<td>3.32</td>
<td>195x4</td>
<td>2,589.60</td>
</tr>
<tr>
<td><strong>FLORIDA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miami Herald</td>
<td>M</td>
<td>3.37</td>
<td>175x3</td>
<td>1,769.25</td>
</tr>
<tr>
<td>Ft. Lauderdale Sun Sentinel &amp; News</td>
<td>ME</td>
<td>.93</td>
<td></td>
<td>488.25</td>
</tr>
<tr>
<td>St. Petersburg Times Independent</td>
<td>ME</td>
<td>1.17</td>
<td>175x4</td>
<td>819.00</td>
</tr>
<tr>
<td><strong>ILLINOIS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Notice of Exchange Offer - New York City Notes

NATIONAL & OTHER PUBLICATIONS

<table>
<thead>
<tr>
<th>Publication</th>
<th>Frequency</th>
<th>Rate</th>
<th>Quantity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Wall Street Journal</td>
<td></td>
<td>$6.06</td>
<td>195x3</td>
<td>$3,545.10</td>
</tr>
<tr>
<td>Eastern Edition</td>
<td>M</td>
<td>4.89</td>
<td></td>
<td>2,860.65</td>
</tr>
<tr>
<td>Midwest Edition</td>
<td>M</td>
<td>3.05</td>
<td></td>
<td>1,784.25</td>
</tr>
<tr>
<td>Pacific Edition</td>
<td>M</td>
<td>1.75</td>
<td></td>
<td>1,023.75</td>
</tr>
<tr>
<td>Southwest Edition</td>
<td>M</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Banker</td>
<td>Dly</td>
<td>2.20</td>
<td></td>
<td>1,287.00</td>
</tr>
<tr>
<td>New York Law Journal</td>
<td>Dly</td>
<td>1.67</td>
<td>195x4</td>
<td>1,302.60</td>
</tr>
<tr>
<td>Bond Buyer</td>
<td>Dly</td>
<td>1.37</td>
<td>200x3</td>
<td>816.00</td>
</tr>
</tbody>
</table>

$ 51,074.35

This estimate does not include the cost of mechanical preparation unless otherwise stated. The rates quoted in this estimate are subject to change without notice.
To Those Listed on Schedule I

Dear Sirs:

The Municipal Assistance Corporation For The City of New York ("MAC") proposes to extend an offer (the "Exchange Offer") to the holders of certain outstanding revenue anticipation notes and bond anticipation notes of The City of New York (the "City Notes") to exchange for such City Notes in an aggregate principal amount of up to $500,000,000 of 1976 Series 5 Bonds of MAC (the "MAC Bonds"). The terms and conditions of the Exchange Offer will be set forth in the definitive Official Statement, a copy of the most recent proof of which, dated May 20, 1976, is attached hereto as Exhibit A, and the Letter of Transmittal, the most recent proof of which, dated May 19, 1976, is attached as Exhibit B. Sections of the Exchange Offer described in the definitive Official Statement and definitive Letter of Transmittal will be substantially as described in such proofs. Copies of the definitive Official Statement and Letter of Transmittal (the "Exchange Offer Documents") will be

The Exchange Offer will expire at 5:00 P.M., Eastern Daylight Time, on June 21, 1976, or at any subsequent time to which MAC may extend the Exchange Offer.

MAC has designated United State Trust Company of New York (the "Exchange Agent") to act as Exchange Agent with respect to the Exchange Offer.

You hereby agree without compensation to perform the following services with respect to the Exchange Offer Documents:

1. You will use reasonable efforts to make available copies of the Exchange Offer Documents and any documents supplementary thereto issued by MAC and furnished to you to all persons
requesting the same from you. MAC agrees to furnish you with copies of the Exchange Offer Documents and such other documents as you may reasonably request. To the extent you deem appropriate, you will use reasonable efforts to forward the Exchange Offer Documents, under MAC's letterhead and in envelopes supplied by MAC, to persons with whom you have or have had accounts with respect to City Notes and whom you know or believe to be holders of City Notes. You may, but shall not be obligated to, communicate to such persons the fact that you are authorized to perform the other functions specified herein with respect to the Exchange Offer Documents.

2. It is understood that you are not required and that you do not undertake hereunder to solicit acceptances of the Exchange Offer or to make any recommendation on MAC's behalf to any person either to accept or reject the Exchange Offer.

3. You will use reasonable efforts to assist persons so requesting, in filling out, executing and transmitting Letters of Transmittal. In so acting, you will have no responsibility hereunder to MAC or to the Exchange Agent as to the due execution of the Transmittal Letter.

4. You shall have no obligation for the accuracy of the information contained in any Exchange Offer Documents and
documents supplementary thereto, and you shall have no responsibility as to the accuracy, completeness, validity, authenticity or genuineness of any Letter Of Transmittal or any City Notes, any information contained in any Letter of Transmittal or any signatures set forth thereon.

5. You are authorized to contact the Exchange Agent to work out any operating mechanics you deem necessary or appropriate to carry out your duties hereunder so long as such mechanics are not inconsistent with the terms of the Exchange Offer Documents.

6. MAC agrees to indemnify and hold you harmless and each person, if any, who controls you, against any and all losses, claims, damages and liabilities (including expenses of any litigation) arising out of action taken or omitted to be taken by you hereunder.

7. It is understood that MAC will pay all printing, mailing and other expenses incurred in connection with the Exchange Offer, except that each of you will pay your own out-of-pocket expenses (except for mailing expenses) in acting hereunder, except as provided in Paragraph 6.

8. You consent to the use of your name in newspaper advertisements in the form attached as Exhibit C hereto, and in the Letter of Transmittal in the form set forth as Exhibit B hereto.

9. Your duties and responsibilities shall be limited
to those expressly set forth herein and to those upon which you and MAC shall agree in writing. You shall not be liable for any action taken or omitted by you, or any action suffered by you to be taken or omitted, in good faith or in the exercise of your own best judgment, and may rely conclusively and shall be protected in acting upon any order, notice, demand, certificate, opinion or advice of counsel (including counsel chosen by you), statement, instrument, report or other document (not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and acceptability of any information therein contained) which is believed by you to be genuine and to be signed or presented by the proper person. You shall not be bound by any notice or demand, or any waiver, or modification of this agreement or any of the terms hereof unless evidenced by a writing delivered to you signed by the proper authority or authorities and, if your duties or rights are affected, unless you shall give your prior written consent thereto.

10. You shall not be responsible for the sufficiency or accuracy of the form, execution, validity, value or genuine-ness or any documents received or delivered by you hereunder or of any signature or endorsement thereon, or for any lack or endorsement thereon, or for any description therein. You shall not be responsible or liable in any respect on account of the identity, authority or rights of any person executing or delivering, or purporting to execute or deliver, any document or this agreement.
If the foregoing confirms your understanding of your arrangements with MAC and you are agreeable to acting as herein specified in connection with the Exchange Offer, please so indicate by signing this letter and the enclosed copy hereof in the space provided below and returning the enclosed copy hereof to MAC.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By

CONFIRMED:

Merrill Lynch Pierce Fenner

Name

& Smith, Inc.

By

VP
If the foregoing confirms your understanding of your arrangements with MAC and you are agreeable to acting as herein specified in connection with the Exchange Offer, please so indicate by signing this letter and the enclosed copy hereof in the space provided below and returning the enclosed copy hereof to MAC.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By

CONFIRMED:

Citibank

Name

By
If the foregoing confirms your understanding of your arrangements with MAC and you are agreeable to acting as herein specified in connection with the Exchange Offer, please so indicate by signing this letter and the enclosed copy hereof in the space provided below and returning the enclosed copy hereof to MAC.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By

CONFIRMED:

Morgan Guaranty Trust Company of New York

Name

By

Vice President
If the foregoing confirms your understanding of your arrangements with MAC and you are agreeable to acting as herein specified in connection with the Exchange Offer, please so indicate by signing this letter and the enclosed copy hereof in the space provided below and returning the enclosed copy hereof to MAC.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

CONFIRMED:

The Chase Manhattan Bank, N. A., New York,

Name

By

HARRY J. BREEZE,
If the foregoing confirms your understanding of your arrangements with MAC and you are agreeable to acting as herein specified in connection with the Exchange Offer, please so indicate by signing this letter and the enclosed copy hereof in the space provided below and returning the enclosed copy hereof to MAC.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By ____________________________

CONFIRMED:

[Signature]

Name

By ____________________________

[Signature]

J.P.
If the foregoing confirms your understanding of your arrangements with MAC and you are agreeable to acting as herein specified in connection with the Exchange Offer, please so indicate by signing this letter and the enclosed copy hereof in the space provided below and returning the enclosed copy hereof to MAC.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By ..........................................

CONFIRMED:

[Signature]

Name

By ..........................................

[Signature]
May 21, 1976

To Those Listed on Schedule I

Dear Sirs:

The Municipal Assistance Corporation For The City of New York, a corporate governmental agency and instrumentality of the State of New York created pursuant to the New York State Municipal Assistance Corporation Act and the Municipal Assistance Corporation for the City of New York Act, as amended ("MAC"), proposes to extend an offer (the "Exchange Offer") to the holders of certain outstanding revenue anticipation notes and bond anticipation notes of The City of New York (the "City Notes") to exchange for such City Notes an aggregate principal amount of up to $500,000,000 of 1976 Series 5 Bonds of MAC (the "1976 Bonds"). The terms and conditions of the Exchange Offer will be set forth in the Official Statement expected to be dated May 24, 1976 (the "Official Statement"), a proof of which dated May 20, 1976, is attached as

The Exchange Offer is expected to commence on or about May 24, 1976 (the "Commencement Date"), and is scheduled to expire at 5:00 P.M., Eastern Daylight Time, on June 21, 1976, or at any subsequent time to which MAC may extend the Exchange Offer (such time and date being hereinafter referred to as the "Expiration Date").
MAC has designated United States Trust Company of New York (the "Exchange Agent") to act as Exchange Agent with respect to the Exchange Offer.

MAC hereby appoints each of you as its agent to render services, as set forth in this agreement, in connection with the Exchange Offer (each of you being hereinafter referred to, individually, as a "Forwarding Agent" and, collectively, as "Forwarding Agents") and, by signing hereinbelow and returning to us a copy hereof, you accept such appointment subject to the following terms and conditions:

1. MAC will notify you by telephone message to your telephone number, for the Chase Manhattan Bank, N.A.: 676-2950 (Attention: Mr. J. A. Peyman), for Citibank, N.A.: 558-5190 (Attention: Mr. John Kruse), and for Morgan Guaranty Trust Company of New York: 483-2125 (Attention: Mr. George B. Levey), confirmed in writing promptly thereafter, that the Exchange Offer has commenced and that City Notes may be delivered to you hereunder.

2. Tenders of the City Notes to be included in the exchange must be accompanied by a properly completed and executed Letter of Transmittal and received by you prior to or at the Expiration Date at your respective branches specified in the Letter of Transmittal. The protection procedure as described in the Letter of Transmittal is available only through the Exchange Agent and you shall not accept any tenders using such method of delivery.
3. You will forward to the Exchange Agent against receipt all Letters of Transmittal and accompanying City Notes received by you prior to or at the Expiration Date at your respective branches specified in the Letter of Transmittal.

4. You shall have no obligation for the accuracy or completeness of the information contained in any Exchange Offer Document. You shall have no responsibility as to the accuracy, completeness, validity, authenticity or genuineness of any Letter of Transmittal or any City Notes, and information contained in any Letter of Transmittal or any signatures set forth thereon, it being understood that your sole responsibility is to forward all Letters of Transmittal and City Notes received by you as referred to herein to the Exchange Agent in the form received by you. You shall not be responsible for the sufficiency or accuracy of the form, execution, validity, value or genuineness of any documents received or delivered by you hereunder or of any signature or endorsement thereon, or for any lack of endorsement thereon, or for any description therein. You shall not be responsible or liable in any respect on account of the identity, authority or rights of any person executing or delivering, or purporting to execute or deliver, any document (including, without limitation thereto, any Letter of Transmittal or City Note).

5. You shall make all deliveries of such documents
on a daily basis to the Exchange Agent by hand delivery to it at the address set forth on the Letter of Transmittal. The final delivery of such documents shall be made not later than twenty-four hours after the Expiration Date. You are authorized to contact the Exchange Agent to work out any operating mechanics you deem necessary or appropriate to carry out your duties hereunder so long as such mechanics are not inconsistent with the terms of the Exchange Offer Documents.

6. Any extension of the Exchange Offer shall be upon notice to you from MAC, given prior to any then current Expiration Date and shall be promptly confirmed in writing.

7. MAC agrees to indemnify you and hold you harmless, and each person, if any, who controls you, against any and all losses, claims, damages and liabilities (including expenses of any litigation) arising out of or in connection with any action taken or omitted to be taken by you hereunder in good faith.

8. It is understood that each of you will serve as Forwarding Agent hereunder without compensation and will bear your out-of-pocket expenses in acting hereunder.

9. As Forwarding Agents hereunder you:
   (a) shall have no duties or obligations other than those specifically set forth herein;
(b) will be regarded as making no representations and having no responsibilities as to the validity, sufficiency, value or genuineness of any City Note received by you hereunder;

(c) shall not be obligated to take any legal action hereunder which might in your judgment involve any expense or liability unless you shall have been furnished with reasonable indemnity;

(d) may rely on and shall be protected in acting upon any certificate, instrument, opinion, notice, letter, telegram, or other document or security delivered to you and believed by you to be genuine and have been signed by the proper party or parties;

(e) may rely on and shall be protected in taking or omitting to take any action upon the written advice of the following: in the case of the Chase Manhattan Bank, N.A., Milbank, Tweed, Hadley & McCloy; in the case of Morgan Guaranty Trust Company of New York, Messrs, Davis, Polk & Wardwell; and in the case of Citibank, N.A., Shearman & Sterling;

(f) may consult counsel satisfactory to you, including your respective counsel indicated in paragraph (e) hereof and counsel for the Exchange Agent, and the opinion of any such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or
omitted by you hereunder in good faith and in accordance with the opinion of such counsel;

(g) shall not be called upon by virtue of your appointment hereunder at any time to advise any person tendering under the Exchange Offer as to the wisdom of making such tender or as to the market value or decline or appreciation in market value of the City Note tendered thereunder or 1976 Bonds received pursuant thereto;

(h) shall not be bound to make any investigation of the facts or matters stated in any City Note, Letter of Transmittal, statement, instrument, report, notice, direction, consent, order or other paper or document (including, without limitation thereto, the genuineness, sufficiency, validity or value of any City Note) given, made or submitted to you hereunder, but you may make such further inquiry or investigation of such matters as you may deem appropriate; and

(i) shall not be bound by any notice or demand, or any waiver, or modification of this agreement or any of the terms hereof unless evidenced by a writing delivered to you signed by the proper authority or authorities and, if your duties or rights are affected, unless you shall give your prior written consent thereto.

10. You shall have no duty to enforce any obligation of any person to make any payment or delivery or to direct or
cause any payment or delivery to be made, or to enforce any obligation of any person to perform any other act. You shall be under no liability to any person by reason of any failure on the part of any person or any maker, guarantor, endorser or other signatory of any document to perform the obligations of such person under any such document. You shall not be obligated to recognize any other agreement between any or all of the persons referred to herein, even though reference thereto may be made herein and whether or not you have knowledge thereof.

11. You shall have the right to assume in the absence of written notice to the contrary from the proper person or persons that a fact or any event by reason of which an action would or might be taken by you does not exist or has not occurred without incurring liability for any action taken or omitted, or any action suffered by you to be taken or omitted, in good faith or in reliance upon such assumption.

12. This agreement shall terminate upon the delivery to the Exchange Agent of all City Notes and Letters of Transmittal received by you as a Forwarding Agent hereunder, provided that your rights under paragraph 7 hereof shall survive such termination. You may resign at any time and be discharged from your duties and responsibilities hereunder by giving MAC at least five (5) days' notice thereof. As soon as practicable after such resignation, but no later than twenty-four hours following such resignation, you shall turn over to the Exchange Agent
all City Notes and Letters of Transmittal then held by you hereunder.

13. Unless otherwise expressly provided herein, all notices, requests, demands and other communications hereunder shall be in writing, shall be delivered by hand or by first-class mail, shall be deemed given when received and shall be addressed to you and MAC at the respective addresses listed below or to such other addresses as you or MAC shall designate from time to time in writing forwarded in like manner:

If to MAC to:

Municipal Assistance Corporation
For The City of New York
Room 4540
2 World Trade Center
New York, New York 10047
Attention: James Keegan, Esq.
Deputy Executive Director

With copies to:

Paul, Weiss, Rifkind, Wharton & Garrison
345 Park Avenue
New York, New York 10022
Attention: Allen L. Thomas, Esq.

If to The Chase Manhattan Bank, N.A.

The Chase Manhattan Bank, N.A.
One New York Plaza - 15th Floor
New York, New York
Attention: Mr. J. A. Peyman
Senior Vice President

With copies to:

Milbank, Tweed, Hadley & McCloy
One Chase Manhattan Plaza
New York, New York
Attention: Roy C. Habenkern, Jr. Esq.
If to Citibank, N.A. to:

Citibank, N.A.
111 Wall Street – 18th Floor
New York, New York
Attention: Mr. John Kruse
Vice President
Corporate Trust Administration

With copies to:

Shearman & Sterling
53 Wall Street
New York, New York 10005
Attention: Joseph A. Doyle, Esq.

If to Morgan Guaranty Trust Company
of New York to:

Morgan Guaranty Trust Company
of New York
23 Wall Street
New York, New York 10015
Attention: Mr. George B. Levey
Corporate Trust Department

With copies to:

Davis, Polk & Wardwell
1 Chase Manhattan Plaza
New York, New York 10005
Attention: Richard B. Smith, Esq.

14. This agreement shall be construed and enforced in accordance with the laws of the State of New York and shall inure to the benefit of, and the obligations created hereby shall be binding upon, the successors and assigns of the parties hereto. No other person shall acquire or have any rights under, or by virtue of, this agreement. The directions contained herein are irrevocable and this agreement may not be modified, amended or supplemented without an express written agreement executed by you and MAC.
If the foregoing confirms your understanding of your arrangements with MAC and you are agreeable to acting as a Forwarding Agent hereunder in connection with the Exchange Offer, please so indicate by signing this letter and the enclosed copy hereof in the space provided below and returning the enclosed copy hereof to MAC.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By: [Signature]

Accepted as of May 21, 1976

THE CHASE MANHATTAN BANK, N.A.

By: [Signature]

CITIBANK, N.A.

By: [Signature]

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: [Signature]
If the foregoing confirms your understanding of your arrangements with MAC and you are agreeable to acting as a Forwarding Agent hereunder in connection with the Exchange Offer, please so indicate by signing this letter and the enclosed copy hereof in the space provided below and returning the enclosed copy hereof to MAC.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By: ___________________________

Accepted as of May , 1976

THE CHASE MANHATTAN BANK, N.A.

By: ___________________________

CITIBANK, N.A.

By: ___________________________

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: ___________________________

Vice President
If the foregoing confirms your understanding of your arrangements with MAC and you are agreeable to acting as a Forwarding Agent hereunder in connection with the Exchange Offer, please so indicate by signing this letter and the enclosed copy hereof in the space provided below and returning the enclosed copy hereof to MAC.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By: ____________________________

Accepted as of May __, 1976

THE CHASE MANHATTAN BANK, N.A.

By: ____________________________

CITIBANK, N.A.

By: ____________________________

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: ____________________________
SCHEDULE I

The Chase Manhattan Bank, N.A.

Citibank, N.A.

Morgan Guaranty Trust Company of New York
ORDER AS TO DELIVERY OF
BONDS AND ACKNOWLEDGMENTS

June 30, 1976

United States Trust Company
of New York, as Exchange
Agent
130 John Street
New York, New York 10038

Gentlemen:

You have today acknowledged receipt of 1976
Series 5 Bonds of the Municipal Assistance Corporation
For The City of New York (the "Corporation") in the
aggregate principal amount of $139,860,000 (the "Bonds")
which have been issued by the Corporation in exchange
for an equal aggregate principal amount of certain revenue
anticipation and bond anticipation notes of The City of
New York (the "City Notes") tendered pursuant to the
Exchange Offer of the Corporation described in the Exchange
Offer Official Statement of the Corporation dated May
21, 1976.

As Exchange Agent acting under the Corporation's
Irrevocable Letter of Instructions to Exchange Agent
dated May 21, 1976, you are hereby authorized and directed
to deliver the Bonds, together with the appropriate
Acknowledgments of Interest Right and opinions of Bond Counsel to the Corporation, pursuant to the directions contained in the Letters of Transmittal accompanying the City Notes tendered in exchange for the Bonds.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By [Signature]
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:

A. Reference is made to the Second General Bond Resolution (the "Resolution") adopted November 25, 1975 by the Municipal Assistance Corporation for The City of New York (the "Corporation"). All terms defined in the Resolution are used in this certificate with the meanings ascribed to them at the indicated page in the Resolution.

B. 1. The most recent collections for the 12 consecutive calendar months ended May 31, 1976 of the sales and compensating use taxes imposed by the City of New York prior to July 1, 1975 and imposed by the State of New York subsequent thereto pursuant to Section 1107 of the Tax Law was

$ 900,302,225

2. The most recent collections for the 12 consecutive calendar months ended May 31, 1976 of the Stock Transfer Tax (p. 5) was

$ 263,454,223

3. The most recent collections for the 12 consecutive calendar months ended May 31, 1976 of other taxes which, as of the date hereof, are levied and collected by New York State and are payable into the special account in the Municipal Assistance Tax Fund described in Section 92-d of the State Finance Law established for the Corporation was

0

Total of $1,163,756,448
C. The total amount of $1,163,756,448 for the twelve (12) consecutive calendar months ended May 31, 1976, set forth in paragraph B above is more than the revenue expected by me, taking into account the statement set forth in paragraph D below, for the next succeeding twelve (12) months from the Sales Tax (p. 4) and Stock Transfer Tax. Such revenue is expected to be the sum of approximately $1,140,000,000. In arriving at this determination the effect of the Federal Securities Act Amendments of 1975 was taken into consideration. Such revenue expectation for the next succeeding twelve (12) month period includes a revenue expectation from the Stock Transfer Tax based upon the assumption that the tax surcharge imposed by Section 270-d of the Tax Law, which expires on July 31, 1976, will be extended throughout such twelve (12) month period. A bill which would extend such surcharge throughout such period has been passed by both houses of the Legislature and is before the Governor for action. In the event such bill does not become law the revenue expectation will be in the sum of approximately $1,090,000,000, or approximately $50,000,000 less than otherwise expected.

The lesser revenue expectation for such next succeeding twelve (12) months is primarily occasioned by nonrecurring revenues obtained during the period ended May 31, 1976 in an amount of at least $80,000,000. This results from initial monthly payments of estimated Sales Tax by certain large vendors, estimated taxes being required by Chapter 89 of the Laws of 1976, effective March 1, 1976. Additionally see Paragraph E.

D. The undersigned believes that it is not presently possible to predict the effect of a future material adverse change in the economic and/or financial conditions of the State of New York and/or the City of New York upon the Sales Tax and the Stock Transfer Tax revenues and, accordingly, the undersigned as of this date, has no reasonable basis upon which to form a conclusion that the total revenues for the next succeeding twelve (12) consecutive calendar months
from the Sales Tax and Stock Transfer Tax will be less than the amount of $1,140,000,000 except as stated above.

E. With respect to the Sales Tax collections for the twelve (12) consecutive months ended May 31, 1976 a monthly Sales Tax remittance and report or return is now required from certain large vendors (Chapter 89 of the Laws of 1976, eff. March 1, 1976). Accordingly, as a result of a change of reporting period for such vendors from a quarterly to a monthly basis during the period, the pattern of revenue flow from such tax has been altered. A portion of the amount of such tax collected in the months of March, April and May of the calendar year 1976 represents amounts of such tax which might not have been required to be remitted until the month of June next succeeding under prior law. This does not purport to be a full and complete statement of existing law and its effect and reference is made to Chapter 89 of the Laws of 1976.

IN WITNESS WHEREOF, I have hereto set my hand this 30th day of June, 1976.

[Signature]

Commissioner of Taxation and Finance

TO: United States Trust Company of New York as Trustee under the Resolution (as defined above).
CERTIFICATE OF THE COMPTROLLER OF THE STATE OF NEW YORK

I, Arthur Levitt, Comptroller of the State of New York, do HEREBY CERTIFY as follows:

The actual amount of per capita aid payable to The City of New York pursuant to Section 54 of the State Finance Law, as amended, which was paid into the Special Aid Account of the Municipal Assistance Corporation For The City of New York in the Municipal Assistance State Aid Fund established pursuant to Section 92-e of the State Finance Law for the fiscal year of the State ending March 31, 1977 was $434,311,665.00.

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of June, 1976.

[Signature]
Comptroller of the State of New York

TO: United States Trust Company of New York, as Trustee under the Second General Bond Resolution adopted November 25, 1975 by the Municipal Assistance Corporation For The City of New York
CERTIFICATE OF THE SECRETARY OF THE
MUNICIPAL ASSISTANCE CORPORATION FOR
THE CITY OF NEW YORK PURSUANT TO
SECTION 202 OF THE SECOND GENERAL
BOND RESOLUTION

I, JAMES R. KEEGAN, Secretary 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, HEREBY CERTIFY pursuant to Section 202(3) and (4) of the Second General Bond Resolution of the Corporation, adopted November 25, 1975 (the "Second General Bond Resolution") as follows:

1. I am a duly appointed and qualified Secretary of the Corporation, acting as such, and in such capacity I am familiar with its organization, membership and activities.

2. (a) The maximum amount of principal and interest maturing or otherwise becoming due in the current or any succeeding Fiscal Year on any outstanding obligations issued
pursuant to the First General Bond Resolution and the Outstanding Note Resolutions is $768,994,588.00.

(b) The aggregate amount of 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 the 1976 Series 5 Bonds, for each Fiscal Year are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Aggregate Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$ 40,218,304.44</td>
</tr>
<tr>
<td>1978</td>
<td>77,754,800.00</td>
</tr>
<tr>
<td>1979</td>
<td>77,754,000.00</td>
</tr>
<tr>
<td>1980</td>
<td>77,752,000.00</td>
</tr>
<tr>
<td>1981</td>
<td>77,746,000.00</td>
</tr>
<tr>
<td>1982</td>
<td>77,751,200.00</td>
</tr>
<tr>
<td>1983</td>
<td>86,871,200.00</td>
</tr>
<tr>
<td>1984</td>
<td>86,866,800.00</td>
</tr>
<tr>
<td>1985</td>
<td>86,873,600.00</td>
</tr>
<tr>
<td>1986</td>
<td>86,869,200.00</td>
</tr>
<tr>
<td>1987</td>
<td>86,768,000.00</td>
</tr>
<tr>
<td>1988</td>
<td>20,311,200.00</td>
</tr>
<tr>
<td>1989</td>
<td>20,314,400.00</td>
</tr>
<tr>
<td>1990</td>
<td>20,314,000.00</td>
</tr>
<tr>
<td>1991</td>
<td>20,312,000.00</td>
</tr>
<tr>
<td>1992</td>
<td>20,290,400.00</td>
</tr>
</tbody>
</table>

(c) The aggregate estimated amount of Operating Expenses for the current Fiscal Year is $6,800,000.00.

3. The aggregate of (i) the amount set forth in certificate of the New York State Commissioner of Taxation and Finance, a copy of which is attached to this Transcript of Proceedings as document No. 25, as representing the Sales Tax and the Stock Transfer Tax and (ii) the amount set forth in the certificate of the State Comptroller, a copy of which is attached to this Transcript of Proceedings as document No. 26,
as representing the actual amount of Per Capita Aid available to be apportioned and paid into the Special Aid Account after deducting (iii) the aggregate of the amount set forth pursuant to paragraph 2(a) herein and the amount of Operating Expenses set forth pursuant to paragraph 2(c) herein, will be at least 1.2 times such aggregate amount set forth in paragraph 2(b) herein for each Fiscal Year set forth pursuant to paragraph 2(b) herein.

4. All terms used herein shall have the same meanings ascribed to such terms in the Second General Bond Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Corporation this 30th day of June, 1976.

James R. Keegan, Secretary

(SEAL)