MUNICIPAL ASSISTANCE CORPORATION FOR
THE CITY OF NEW YORK

$403,285,000

1977 SERIES 7 BONDS

TABLE OF CONTENTS

I. Closing Papers Relating to the Issuance of the
1977 Series 7 Bonds, and Specifically to the
Delivery of $10,235,000 Principal Amount of
such Bonds.

Delivery March 30, 1977

BASIC DOCUMENTS, APPROVALS AND CERTIFICATES

1. Copy of the Exchange Offer Official Statement dated

2. General Certificate of the Municipal Assistance Corpora-
tion 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 reso-
lutions; 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 March 18, 1977 showing adoption of the Second
General Bond Resolution of the Corporation (the "Resolu-
tion") and showing adoption of the 1977 Series 7 Resolution
(the "Series Resolution") of the Corporation authorizing:
(i) the issuance of the 1977 Series 7 Bonds (the "Bonds");
and (ii) the exchange offer (the "Exchange Offer") to the
holders of certain short-term notes of The City of New York
(the "City Notes").


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.

7. Arbitrage Certificate of the Corporation and Opinion of
Hawkins, Delafield & Wood as to Arbitrage.
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 AGENT 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.

16. Exchange Agent's acknowledgment of receipt of City Notes pursuant to the Exchange Offer.

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 publication of Exchange Offer and Certificate as to Publication.

21. Order as to delivery of Bonds.

ADDITIONAL CERTIFICATIONS


23. Certificate as to Per Capita Aid.

24. Certificate required pursuant to Section 202(3) and (4) of the Resolution.

II. Closing Papers Relating to the Delivery of $145,450,000 Principal Amount of 1977 Series 7 Bonds

Delivery April 6, 1977

BASIC DOCUMENTS, APPROVALS AND CERTIFICATES


27. Extract of the Minutes of a Meeting of the Corporation held on March 18, 1977 showing adoption of the Second General Bond Resolution of the Corporation (the "Resolution") and showing adoption of the 1977 Series 7 Resolution (the "Series Resolution") of the Corporation authorizing: (i) the issuance of the 1977 Series 7 Bonds (the "Bonds");
and (ii) the exchange offer (the "Exchange Offer") to the holders of certain short-term notes of The City of New York (the "City Notes").

28. Copy of the Resolution and the Series Resolution.

29. 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.

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


OPINIONS

32. The opinion of Messrs. Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation to the Corporation, and to United States Trust Company of New York, as Trustee under the Second General Bond Resolution of, and as Exchange Agent in connection with the Exchange Offer of, the Corporation.

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

TRUSTEE AND PAYING AGENT DOCUMENTS

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

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


EXCHANGE AGENT DOCUMENTS

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

39. Certificate of Exchange Agent as to receipt of City Notes and certain Bonds received in exchange therefor.

MISCELLANEOUS

40. Certificate of The City of New York required pursuant to Section 3038 of the Municipal Assistance Corporation For The City of New York Act.

41. Form of Letters of Transmittal.

42. Order as to delivery of Bonds.

43. Blue Sky Memorandum.

ADDITIONAL CERTIFICATIONS

44. Certificate of State Commissioner of Taxation and Finance.

45. Certificate as to Per Capita Aid.

III. Closing Papers Relating to the Delivery of $101,875,000 Principal Amount of 1977 Series 7 Bonds

Delivery April 11, 1977

BASIC DOCUMENTS, APPROVALS AND CERTIFICATES


47. Certificate of the Corporation as to Various Matters.

48. Extract of the Minutes of a Meeting of the Corporation held on March 18, 1977 showing adoption of the Second General Bond Resolution of the Corporation (the "Resolution") and showing adoption of the 1977 Series 7 Resolution (the "Series Resolution") of the Corporation authorizing: (i) the issuance of the 1977 Series 7 Bonds (the "Bonds");
and (ii) the exchange offer (the "Exchange Offer") to the holders of certain short-term notes of The City of New York (the "City Notes").

49. Copy of the Resolution and the Series Resolution.

50. 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.

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

52. Opinion of Hawkins, Delafield & Wood as to Arbitrage.

OPINIONS

53. The opinion of Messrs. Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation to the Corporation, and to United States Trust Company of New York, as Trustee under the Second General Bond Resolution of, and as Exchange Agent in connection with the Exchange Offer of, the Corporation.

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

TRUSTEE AND PAYING AGENT DOCUMENTS

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

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

57. Acceptance of Office of Paying Agent.

EXCHANGE AGENT DOCUMENTS

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

60. Certificate of Exchange Agent as to receipt of City Notes and certain Bonds received in exchange therefor.

MISCELLANEOUS

61. Certificate of The City of New York required pursuant to Section 3038 of the Municipal Assistance Corporation For The City of New York Act.

62. Form of Letters of Transmittal.

63. Order as to delivery of Bonds.

64. Blue Sky Memorandum.

ADDITIONAL CERTIFICATIONS

65. Certificate of State Commissioner of Taxation and Finance.

66. Certificate as to Per Capita Aid.

IV. Closing Papers Relating to the Delivery of $121,275,000 Principal Amount of 1977 Series 7 Bonds

Delivery April 14, 1977

BASIC DOCUMENTS, APPROVALS AND CERTIFICATES


68. Certificate of the Corporation as to Various Matters.

69. Extract of the Minutes of a Meeting of the Corporation held on March 18, 1977 showing adoption of the Second General Bond Resolution of the Corporation (the "Resolution") and showing adoption of the 1977 Series 7 Resolution (the "Series Resolution") of the Corporation authorizing:
(i) the issuance of the 1977 Series 7 Bonds (the "Bonds"); and (ii) the exchange offer (the "Exchange Offer") to the holders of certain short-term notes of The City of New York (the "City Notes").

70. Copy of the Resolution and the Series Resolution.

71. 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.

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

73. Opinion of Hawkins, Delafield & Wood as to Arbitrage.

OPINIONS

74. The opinion of Messrs. Paul, Weiss, Rifkind, Wharton & Garrison, General Counsel to the Corporation to the Corporation, and to United States Trust Company of New York, as Trustee under the Second General Bond Resolution of, and as Exchange Agent in connection with the Exchange Offer of, the Corporation.

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

TRUSTEE AND PAYING AGENT DOCUMENTS

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

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

78. Acceptance of Office of Paying Agent.

EXCHANGE AGENT DOCUMENTS


80. Instructions to Exchange Agent as to disposition of tendered City Notes.
81. Certificate of Exchange Agent as to receipt of City Notes and certain Bonds received in exchange therefor.

MISCELLANEOUS

82. Certificate of The City of New York required pursuant to Section 3038 of the Municipal Assistance Corporation For The City of New York Act.

83. Form of Letters of Transmittal.

84. Order as to delivery of Bonds.

85. Blue Sky Memorandum.

ADDITIONAL CERTIFICATIONS

86. Certificate of State Commissioner of Taxation and Finance.

87. Certificate as to Per Capita Aid.

V. Closing Papers Relating to the Delivery of $24,450,000 Principal Amount of 1977 Series 7 Bonds

Delivery April 19, 1977

BASIC DOCUMENTS, APPROVALS AND CERTIFICATES


89. Certificate of the Corporation as to Various Matters.

90. Extract of the Minutes of a Meeting of the Corporation held on March 18, 1977 showing adoption of the Second General Bond Resolution of the Corporation (the "Resolution") and showing adoption of the 1977 Series 7 Resolution (the "Series Resolution") of the Corporation authorizing:
(i) the issuance of the 1977 Series 7 Bonds (the "Bonds");
and (ii) the exchange offer (the "Exchange Offer") to the
holders of certain short-term notes of The City of New York
(the "City Notes").

91. Copy of the Resolution and the Series Resolution.

92. 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.

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

94. Opinion of Hawkins, Delafield & Wood as to Arbitrage.

OPINIONS

95. The opinion of Messrs. Paul, Weiss, Rifkind, Wharton &
Garrison, General Counsel to the Corporation to the
Corporation, and to United States Trust Company of New
York, as Trustee under the Second General Bond Resolution
of, and as Exchange Agent in connection with the Exchange
Offer of, the Corporation.

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

TRUSTEE AND PAYING AGENT DOCUMENTS

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

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


EXCHANGE AGENT DOCUMENTS

100. Irrevocable Letter of Instructions to Exchange Agent
dated as of March 22, 1977.
101. Instructions to Exchange Agent as to disposition of tendered City Notes.

102. Certificate of Exchange Agent as to receipt of City Notes and certain Bonds received in exchange therefor.

MISCELLANEOUS

103. Certificate of The City of New York required pursuant to Section 3038 of the Municipal Assistance Corporation For The City of New York Act.

104. Form of Letters of Transmittal.

105. Order as to delivery of Bonds.


ADDITIONAL CERTIFICATIONS


108. Certificate as to Per Capita Aid.


111. 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 1977 Series 7 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

$250,000,000

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

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

934% 1977 SERIES 7 BONDS DUE JULY 1, 1992

The Municipal Assistance Corporation for The City of New York hereby offers to exchange with holders of up to $250,000,000 principal amount of certain revenue anticipation notes and bond anticipation notes of The City of New York described herein (the "City Notes"), on a first-come, first-served basis as described herein, its 1977 Series 7 Bonds in an aggregate principal amount equal to the aggregate principal amount of City Notes exchanged hereunder, subject to the terms and conditions stated herein. The Corporation may and is not obligated to accept for exchange additional City Notes if more than $250,000,000 principal amount of City Notes is tendered and will accept all City Notes properly tendered on or before March 25, 1977, and all City Notes tendered on the day on which the aggregate of tenders received equals or exceeds $250,000,000 or such greater amount as the Corporation determines to accept. An aggregate of $853,825,000 principal amount of City Notes is outstanding. Persons tendering City Notes pursuant to the Exchange Offer will receive 1977 Series 7 Bonds in exchange therefor and will retain the right to receive from the City the unpaid interest on their exchanged City Notes accrued to the Expiration Date of the Exchange Offer. The Corporation has the option that promptly following the Expiration Date the City intends to pay such interest, which is currently accruing at the rate of 6% a year, to all persons tendering City Notes pursuant to 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 interest on any City Notes.

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

The Exchange Offer will expire at 3:30 P.M., New York City Time, on April 7, 1977, unless earlier fully subscribed. 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 5:00 P.M., New York City Time, on April 5, 1977, and thereafter are irrevocable. See "Exchange Offer" as to the procedures for tendering City Notes.

Interest on the 1977 Series 7 Bonds accrues from the Expiration Date of the Exchange Offer and is payable on July 1, 1977, and semi-annually on each January 1 and July 1 thereafter. A fully registered bond will be issued initially to each tendering holder in a denomination equal to the amount of such holder's City Notes accepted or, at the election of a tendering holder who makes arrangements to take initial delivery of such bonds at the office of the Exchange Agent, bonds will be issued as coupon bonds in the denomination of $5,000 each. 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 fully registered bonds in the denominations of $5,000 or integral multiples of $5,000. Coupon and registered bonds are interchangeable as more fully described herein. The Trustee for the 1977 Series 7 Bonds is United States Trust Company of New York.

The 1977 Series 7 Bonds are subject to mandatory redemption by operation of a sinking fund commencing July 1, 1983, and to optional redemption commencing July 1, 1980, as described herein.

The 1977 Series 7 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 any portion 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 1977 Series 7 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 1977 Series 7 Bonds.

The accompanying Letter of Transmittal must be used to effect tenders.

March 22, 1977
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 1977 Series 7 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>Introduction</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Corporation and the Bonds</td>
<td>3</td>
</tr>
<tr>
<td>Purpose of the Offering</td>
<td>3</td>
</tr>
<tr>
<td>Procedures for Tender of City Notes</td>
<td>4</td>
</tr>
<tr>
<td>Payment of the Bonds</td>
<td>5</td>
</tr>
<tr>
<td>Per Capita Aid and Tax Coverage</td>
<td>6</td>
</tr>
<tr>
<td>Certain Factors</td>
<td>7</td>
</tr>
<tr>
<td>Exchange Offer</td>
<td>7</td>
</tr>
<tr>
<td>General</td>
<td>7</td>
</tr>
<tr>
<td>Tender Procedures</td>
<td>7</td>
</tr>
<tr>
<td>Solicitation Fees</td>
<td>9</td>
</tr>
<tr>
<td>Interest on City Notes</td>
<td>9</td>
</tr>
<tr>
<td>Tax Consequences</td>
<td>9</td>
</tr>
<tr>
<td>Rights of the Noteholders</td>
<td>10</td>
</tr>
<tr>
<td>Constitutional and Statutory Rights</td>
<td>10</td>
</tr>
<tr>
<td>Rights Under the Moratorium Decision</td>
<td>10</td>
</tr>
<tr>
<td>Plan to Provide for Repayment</td>
<td>12</td>
</tr>
<tr>
<td>Rights Under Certain Pending Litigation</td>
<td>14</td>
</tr>
<tr>
<td>Position of Banks, Pension Funds and Other Noteholders</td>
<td>14</td>
</tr>
<tr>
<td>Outstanding Debt of the Corporation</td>
<td>15</td>
</tr>
<tr>
<td>Provisions for Payment of the Bonds</td>
<td>15</td>
</tr>
<tr>
<td>General</td>
<td>15</td>
</tr>
<tr>
<td>Appropriation by Legislature</td>
<td>17</td>
</tr>
<tr>
<td>Municipal Assistance State Aid Fund</td>
<td>19</td>
</tr>
<tr>
<td>Per Capita Aid</td>
<td>21</td>
</tr>
<tr>
<td>Municipal Assistance Tax Fund</td>
<td>22</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>23</td>
</tr>
<tr>
<td>Stock Transfer Tax</td>
<td>26</td>
</tr>
<tr>
<td>Debt Service Payment Requirements and Estimated Coverage Ratios</td>
<td>28</td>
</tr>
<tr>
<td>Restoration of Capital Reserve Aid Fund</td>
<td>31</td>
</tr>
<tr>
<td>Federal Bankruptcy Legislation</td>
<td>32</td>
</tr>
<tr>
<td>Bonds Being Offered</td>
<td>32</td>
</tr>
<tr>
<td>Description of the Bonds</td>
<td>32</td>
</tr>
<tr>
<td>Additional Bonds</td>
<td>34</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Certain Developments Affecting the State</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recent Financial Difficulties</td>
<td>35</td>
</tr>
<tr>
<td>Plans and Results for the 1977 Fiscal Year</td>
<td>35</td>
</tr>
<tr>
<td>Outlook for the 1978 Fiscal Year</td>
<td>36</td>
</tr>
<tr>
<td>Longer Range Trends</td>
<td>38</td>
</tr>
<tr>
<td>Certain Developments Affecting the City</td>
<td>39</td>
</tr>
<tr>
<td>City Plan Including Program to Balance Expense Budget</td>
<td>39</td>
</tr>
<tr>
<td>Certain Assumptions</td>
<td>40</td>
</tr>
<tr>
<td>Actions Taken to Date</td>
<td>42</td>
</tr>
<tr>
<td>Cash Sources</td>
<td>43</td>
</tr>
<tr>
<td>Expiration of Plan</td>
<td>44</td>
</tr>
<tr>
<td>Federal Bankruptcy and State Stay Legislation</td>
<td>45</td>
</tr>
<tr>
<td>Management</td>
<td>46</td>
</tr>
<tr>
<td>Litigation</td>
<td>49</td>
</tr>
<tr>
<td>Moratorium</td>
<td>49</td>
</tr>
<tr>
<td>Revenues of the Corporation</td>
<td>49</td>
</tr>
<tr>
<td>City Pension Funds' Investment in Structured Securities of the Corporation</td>
<td>50</td>
</tr>
<tr>
<td>Various Control Programs</td>
<td>50</td>
</tr>
<tr>
<td>Conditions to Payments by the Corporation</td>
<td>50</td>
</tr>
<tr>
<td>Powers of the Corporation</td>
<td>51</td>
</tr>
<tr>
<td>Control Board</td>
<td>52</td>
</tr>
<tr>
<td>Credit Agreement</td>
<td>52</td>
</tr>
<tr>
<td>Summary of Certain Provisions of the Second General Bond Resolution</td>
<td>53</td>
</tr>
<tr>
<td>Agreement of the State of New York</td>
<td>65</td>
</tr>
<tr>
<td>Legal Investment</td>
<td>66</td>
</tr>
<tr>
<td>Trustee</td>
<td>66</td>
</tr>
<tr>
<td>Financial Statements and Subsequent Events</td>
<td>66</td>
</tr>
<tr>
<td>Legal Opinions</td>
<td>67</td>
</tr>
<tr>
<td>Tax Exemption</td>
<td>67</td>
</tr>
<tr>
<td>Financial Statements            Exhibit A</td>
<td>68</td>
</tr>
<tr>
<td>Opinion of Bond Counsel           Exhibit B</td>
<td>68</td>
</tr>
</tbody>
</table>

Lazard Frères & Co. — Financial Advisor

2
OFFICIAL STATEMENT
of
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK
(A Corporate Governmental Agency and Instrumentality of the State of New York)

INTRODUCTION

This Official Statement, including the cover page and the exhibits, of the Municipal Assistance Corporation For The City of New York (the "Corporation") is provided for the purpose of setting forth information in connection with the offer (the "Exchange Offer") by the Corporation to exchange certain of its bonds for certain notes of The City of New York (the "City"). Such bonds of the Corporation will be due July 1, 1992, will bear interest at the rate of 9 1/4% a year, and will be subject to mandatory sinking fund redemption commencing July 1, 1983, and optional redemption commencing July 1, 1980, all as more fully described herein (the "1977 Series 7 Bonds"). The 1977 Series 7 Bonds will be exchanged for up to $250,000,000 principal amount of those outstanding notes (the "City Notes") of the City with stated maturity dates of December 11, 1975, January 12, February 13, and March 12, 1976 that are held by persons other than the Corporation, the eleven commercial banks that are members of the New York Clearing House Association, Inc. (the "Clearing House Banks"), and the five New York City Pension Funds (the "Pension Funds"), each of which is a party to an agreement dated November 26, 1975 (the "Amended and Restated Agreement").

An aggregate of $983,825,000 of City Notes is outstanding. The Corporation may, but is not obligated to, accept any amount of City Notes tendered in excess of $250,000,000 and will accept all City Notes tendered on or before March 25, 1977 and all City Notes tendered on the day on which the aggregate of tenders received equals or exceeds $250,000,000 or such greater amount as the Corporation determines to accept, see "Exchange Offer — Tender Procedures."

The Corporation and the Bonds

The Corporation is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation. The Corporation was created in June 1975, pursuant to the New York Municipal Assistance Corporation Act, as amended by the Municipal Assistance Corporation For The City of New York Act, each as further amended (the "Act"); for the purpose of assisting the City in providing essential services to its inhabitants without interruption and in creating investor confidence in the soundness of the obligations of the City. To carry out such purpose, the Corporation is empowered, among other things, to issue and sell bonds and notes, to pay or lend funds received from such sales to the City, and to exchange the Corporation's obligations for those of the City, under conditions specified in the Act. Also pursuant to the Act, the Corporation is empowered to perform certain oversight functions with respect to the City's financial activities. For descriptions of the management of the Corporation and of certain of its powers, see "Management" and "Various Control Programs."

The 1977 Series 7 Bonds will be issued pursuant to 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 1977 Series 7 Bonds (the "1977 Series 7 Resolution"). The Second General Bond Resolution and the 1977 Series 7 Resolution are sometimes collectively referred to herein as the "Resolution." For a description of the Second General Bond Resolution, see "Summary of Certain Provisions of the Second General Bond Resolution." All bonds issued under the Second General Bond Resolution, including the Series 1 through 6 Bonds issued pursuant to the previous exchange offers of the Corporation, the 1977 Series 7 Bonds to be issued pursuant to the Exchange Offer and any bonds subsequently issued under such Resolution are herein collectively referred to as the "Bonds."

There can be no assurance that there will exist any substantial market for the 1977 Series 7 Bonds at or near the par value of the City Notes accepted in exchange for such 1977 Series 7 Bonds.

For a description of the 1977 Series 7 Bonds, see "Bonds Being Offered."
Purpose of the Offering

On November 19, 1976, the State Court of Appeals held unconstitutional the New York State Emergency Moratorium Act for the City of New York (the “Moratorium Act”), which had provided that holders of certain notes of the City, including the City Notes, could not take legal action to collect upon their notes for a specified period. The case has now been sent back to the State Supreme Court with instructions with respect to the entry of judgments requiring payment by the City of such notes.

Under the order (called a “remittitur”) of the Court of Appeals, holders of City Notes must prove present ownership or custodianship of such City Notes pursuant to procedures adopted by the State Supreme Court, before a judgment requiring payment can be entered. Such judgments relating to City Notes held by individuals who held such notes on November 14, 1975, will, when entered by the Court, require payment in cash within 30 days after the judgment is entered. Such judgments relating to City Notes held by individuals who acquired such City Notes after November 14, 1975, and by institutional investors and corporations will, when entered by the Court, require payment in cash within a period to be determined by the Court. The Court of Appeals has stated that such a period of up to six months would not be an abuse of the Supreme Court’s discretion.

The Corporation cannot predict with accuracy when payments pursuant to the Court orders may be expected, but estimates that the Court will order such payments to commence with respect to City Notes held by individuals on November 14, 1975, early in May 1977. The Corporation cannot now estimate when the Court will order such payments to commence with respect to other City Notes. For further information with respect to the actions of the Courts to date in this case, see “Rights of the Noteholders — Rights Under the Moratorium Decision.”

The City has devised and is attempting to implement a plan to provide for payment of the City Notes in full within such time periods as will be required by the Courts (the “Note Repayment Plan”). The Note Repayment Plan contains a number of elements, including the exchange of $250 to $300 million of City Notes pursuant to the Exchange Offer. No assurance may be given that the Note Repayment Plan will be successfully implemented, or if implemented, that the financial condition of the City will permit the City to apply the proceeds of such Plan to such repayment. For further information with respect to the Note Repayment Plan, see “Rights of the Noteholders — Plan to Provide for Repayment.”

Holders of City Notes may either follow the procedures established by the Courts in order to seek judgments requiring cash payments with respect to their City Notes or accept the Exchange Offer and receive 1977 Series 7 Bonds in exchange for their City Notes. In addition, although the Corporation has no assurance that a market for City Notes will exist, or if it does exist, that it will be at a level acceptable to holders of City Notes, holders of City Notes may also have an opportunity to sell their City Notes through customary market channels to persons who may themselves tender such City Notes to the Corporation pursuant to the Exchange Offer. Finally, as stated in the decision of the Court of Appeals, holders of City Notes may attempt to exercise such other rights as they may have. For further information with respect to the rights of holders of City Notes, see “Rights of the Noteholders.”

The Note Repayment Plan does not provide for the payment of the aggregate of $819,220,000 of notes of the City held by the Clearing House Banks and the Pension Funds, see “Rights of the Noteholders — Position of Banks, Pension Funds and Other Noteholders.”

Procedures for Tender of City Notes

Holders of City Notes may tender them pursuant to the Exchange Offer by completing, signing and delivering to the Exchange Agent the Letter of Transmittal accompanying this Official Statement, together with such City Notes, on or prior to the Expiration Date, pursuant to the procedures described under the caption “Exchange Offer — Tender Procedures.” Tender of the City Notes may also be effected by or through certain securities broker-dealers and banks, see “Exchange Offer — Tender Procedures.”

The Exchange Offer will expire at 3:30 P.M., New York City Time, on April 7, 1977, unless earlier fully subscribed or unless extended at the election of the Corporation (such date and time, as they may be extended, being referred to as the “Expiration Date”). It is the present intention of the
Corporation not to extend the Offer. All tenders are revocable until 5:00 P.M., New York City Time, on April 3, 1977, and thereafter are irrevocable.

Tendering holders will not be obligated to pay brokerage commissions, fees or transfer taxes in connection with the exchange of City Notes pursuant to the Exchange Offer. The Corporation will pay certain securities broker-dealers and banks a solicitation fee in connection with their solicitation of tenders of City Notes pursuant to the Exchange Offer, see “Exchange Offer — Solicitation Fees.”

Payment of the Bonds

The Bonds, including the 1977 Series 7 Bonds, are general obligations of the Corporation, payable from any available revenues of the Corporation not otherwise pledged.

As described herein, the Corporation’s revenues pledged to the payment of the Bonds are derived principally from three sources: Per Capita Aid, the Sales Tax and the Stock Transfer Tax, each as defined herein. "Per Capita Aid" consists of amounts that otherwise would have been payable to the City from the General Fund of the State as per capita State aid pursuant to Section 54 of the State Finance Law (the "Finance Law"). The "Sales Tax" consists of collections of the State sales and compensating use taxes imposed, formerly by the City and now by the State, within the City. The "Stock Transfer Tax" consists of collections of the State stock transfer tax. The revenues derived from the Sales Tax and the Stock Transfer Tax are pledged to the payment of the Bonds only to the extent that such revenues are not pledged to pay debt service on obligations issued under the Corporation’s first general bond resolution dated July 2, 1975, as amended (the "First General Bond Resolution"), including the bonds issued thereunder (the "First Resolution Bonds").

State law also provides the methods by which the Corporation receives its revenues. The Finance Law provides that, subject to annual appropriation by the Legislature, Per Capita Aid is apportioned and paid, after certain prior statutory claims have been satisfied, first into a special account established for the benefit of the Corporation (the "Special Aid Account") in the municipal assistance state aid fund administered by the State Comptroller (the "Municipal Assistance State Aid Fund"), and then to the Corporation at such times and in such amounts as its Chairman certifies are necessary to meet the debt service and reserve funding requirements established by the Act and the Resolution for the Bonds.

The Finance Law also provides that collections of the Sales Tax are deposited in a special account established for the benefit of the Corporation (the "Special Tax Account") in the municipal assistance tax fund administered by the State Comptroller (the "Municipal Assistance Tax Fund"), and, subject first to annual appropriation by the Legislature and then to the timely payment of obligations of the Corporation issued under the First General Bond Resolution, are paid to the Corporation at such times and in such amounts as its Chairman certifies are necessary to meet the debt service and reserve funding requirements established by the Act and the Resolution for the Bonds, to the extent amounts in the Special Aid Account are insufficient.

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

The State Legislature appropriated Per Capita Aid and the Sales Tax and Stock Transfer Tax for the State's 1977 fiscal year, and it is expected, but the Corporation has no assurance, that the State Legislature will make such appropriations for the State's 1978 fiscal year, and for subsequent fiscal years, see “Provisions for Payment of the Bonds — Appropriation by Legislature.”
the eighth day following the Expiration Date, and the same are actually so delivered. 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) 425-4500 (Ext. 2433)

By Mail
130 John Street
New York, N.Y. 10038
Attention: Corporate Trust and
Agency Services (MAC Exchange)
(212) 425-4500 (Ext. 2433)

The availability of the documents discussed in this Official Statement at any office of the Exchange Agent 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 $250,000,000 on a first-come, first-served basis. The Corporation may, but is not obligated to, accept any amount of City Notes tendered in excess of $250,000,000 and will accept all City Notes tendered on or before March 25, 1977 and all City Notes tendered on the day on which the aggregate of tenders received equals or exceeds $250,000,000 or such greater amount as the Corporation determines to accept. With respect to tenders of City Notes made by a Soliciting Dealer pursuant to the protection procedure described above, the date of receipt by the Exchange Agent of the telegram or other written notice shall be deemed to be the date of tender for the purpose of acceptance of City Notes by the Corporation on a first-come, first-served basis.

A tendering holder of City Notes whose tender is accepted will receive, as promptly as practicable following the Expiration Date, the aggregate principal amount of 1977 Series 7 Bonds to which such holder is entitled. For a description of rights of tendering holders of City Notes to interest on such notes, see “Interest on City Notes.”

The Corporation reserves full discretion to determine whether the documentation with respect to tendered City 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 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.

Tendering holders will not be obligated to pay brokerage commissions, fees or transfer taxes in connection with the exchange of City Notes pursuant to the Exchange Offer.

The Exchange Offer is scheduled to terminate at 3:30 P.M., New York City Time on April 7, 1977, unless earlier fully subscribed or unless extended by the Corporation, as provided in the Letter of Transmittal.

Except for the withdrawal rights described in the following paragraph, tenders are irrevocable. Upon delivery to the Exchange Agent of City Notes accompanied by a properly executed Letter of Transmittal, the sole right thereunder of a tendering holder of City Notes whose tender is accepted will be (i) to receive 1977 Series 7 Bonds, and (ii) to receive from the City interest on such City Notes as described under “Interest on City Notes.”
Any City Note tendered pursuant to the Exchange Offer may be withdrawn at any time prior to 5:00 P.M., New York City Time, April 5, 1977. To be effective, any notice of withdrawal must be in writing, must specify the name of the tendering holder of City Notes, the principal amount of City Notes to be withdrawn and the serial numbers shown on the particular City Notes to be withdrawn, and must be received in a timely manner by the Exchange Agent at its address specified above. Any City Notes withdrawn will, for purposes of the Exchange Offer, be deemed not to have been duly tendered. City Notes withdrawn pursuant to the provisions of this paragraph will be sent to the withdrawing holder of such City Notes at such holder’s address as specified in the Letter of Transmittal by registered mail, return receipt requested, at the Corporation’s expense, as soon as practicable after due receipt of the notice of withdrawal.

Solicitation Fees
The Corporation will pay to any securities broker or dealer who is a member of a national securities exchange in the United States or of the National Association of Securities Dealers, Inc. (“NASD”) or to a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or to any foreign broker or dealer not eligible for membership in the NASD who is registered under the Exchange Act, in each case which agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States (“Soliciting Dealers”), the name of which Soliciting Dealer appears in the appropriate space in the Letter of Transmittal, a solicitation fee of $20 for each $1,000 principal amount of City Notes properly tendered and accepted pursuant to the Exchange Offer. Soliciting Dealers shall not be agents of the Corporation, the Trustee or the Exchange Agent for purposes of the Exchange Offer.

Interest on City Notes
The City has paid interest to stated maturity on City Notes previously presented to it for such payment at the stated rates of interest on such City Notes, and has paid interest at the rate of 6% a year from the stated maturity dates of such City Notes to the anniversaries of such stated maturity dates. Tendering holders of City Notes are urged to collect, if they have not already done so, such interest from the City prior to tendering City Notes. Such interest is payable at the office of Manufacturers Hanover Trust Company, 10th floor, 4 New York Plaza, New York, New York. The City has informed the Corporation that the City intends to pay to all persons exchanging City Notes pursuant to the Exchange Offer, unpaid interest on City Notes so exchanged to the Expiration Date by check mailed to such tendering holder promptly after the Expiration Date.

The Corporation does not assume any obligation, by reason of the Exchange Offer or otherwise, to pay or otherwise provide for the payment of any accrued interest on such City Notes.

Interest on the 1977 Series 7 Bonds accrues from the Expiration Date of the Exchange Offer and is payable by the Corporation on July 1, 1977, and semi-annually on each January 1 and July 1 thereafter.

Tax Consequences
The provisions of the Internal Revenue Code of 1954, as amended (the “Code”) relating to gains and losses on the sale or exchange of bonds, notes or other evidences of indebtedness will apply to the exchange of City Notes for 1977 Series 7 Bonds. A person who exchanges City Notes for 1977 Series 7 Bonds will realize gain or loss measured by any difference between his adjusted basis for his City Notes and the fair market value of the 1977 Series 7 Bonds which such person receives. If such fair market value is greater than such adjusted basis, such person will realize gain to the extent of the difference. If such person’s adjusted basis for his City Notes is greater than the fair market value of the 1977 Series 7 Bonds which he receives, he will realize loss to the extent of the difference.

In the case of a person who is neither a dealer in securities nor a financial institution described in Section 582(c)(1) of the Code and who exchanges City Notes which he held for investment purposes for 1977 Series 7 Bonds, any gain or loss realized (i) on such exchange and (ii) at the maturity, earlier redemption or sale of the 1977 Series 7 Bonds, will be treated as capital gain or loss. Such gain or loss (as the case may be) will be a long-term capital gain or loss if the holder of the City Notes or of the
1977 Series 7 Bonds (as the case may be) has held the same for more than nine months for taxable years beginning in 1977 and for more than one year for taxable years beginning after December 31, 1977. If the holding period has been less than the foregoing, then the gain or loss will be a short-term capital gain or loss.

A portion of any such long-term capital gain will, under certain circumstances, be subject to the minimum tax on tax preference items under Section 56 of the Code.

The gain or loss of a dealer in securities on his City Notes or his 1977 Series 7 Bonds will be considered an ordinary gain or loss, except as provided in Section 1236 of the Code.

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 1977 Series 7 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 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bonds 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 1977 Series 7 Bonds, the basis of the 1977 Series 7 Bonds 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 1977 Series 7 Bonds.

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. The holder of a City Note has a contractual right to payment of principal and interest at maturity in the full amount as provided by the obligation. The General Municipal Law of the State provides that 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 thereafter. The General Municipal Law of the State also 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 such judgment with interest thereon and necessary fees and expenses.

A holder who exchanges his City Notes pursuant to the Exchange Offer would probably be deemed to have relinquished any rights to judgment on or enforcement of the City Notes exchanged.

For a description of the Federal bankruptcy legislation and State stay legislation that may be applicable under which the City may seek protection in certain circumstances, see "Certain Developments Affecting the City — Federal Bankruptcy and State Stay Legislation."

Rights Under the Moratorium Decision

The Moratorium Act which was enacted on November 15, 1975, provided that, during the "moratorium period" as specified in such Act, holders of certain notes of the City, including the City Notes, could not enforce any judgment or lien, or commence or continue any action, with respect to such notes as long as certain conditions were fulfilled. On November 19, 1976, the State Court of Appeals held that the Moratorium Act violated a provision of the State Constitution requiring that any city within the State pledge its "faith and credit" for the repayment of the principal of, and interest on, all indebtedness which it contracts.
On February 8, 1977, the Court of Appeals signed a remittitur sending the case back to the State Supreme Court, New York County, with instructions with respect to the entry of judgments requiring payment by the City of certain outstanding notes of the City, including the City Notes. The Court of Appeals appointed former Court of Appeals Judge James Gibson to preside over the case at the Supreme Court level.

The remittitur, in effect, establishes four categories with respect to notes (including the City Notes) formerly subject to the Moratorium Act: first, City Notes held by the plaintiff in the case, with respect to which a judgment is to be entered, upon proof of present ownership or custodianship, requiring payment within thirty days after the entering of a judgment (category No. 1); second, City Notes held by individuals (not institutional investors or corporations) which were held by such individuals for value on November 14, 1975, with respect to which judgment is to be entered, upon proof of such ownership, requiring payment within thirty days after the entering of such judgment (category No. 2); third, all other City Notes (excluding notes of the City held by the Clearing House Banks and Pension Funds, all of which signed the Amended and Restated Agreement) with respect to which judgment is to be entered, upon proof of ownership, requiring payment within a period to be determined by the State Supreme Court, the Court of Appeals having stated that a delay in payment to the holder of any such City Note of up to six months from the date of entry of a judgment in favor of such holder would not be an abuse of discretion (category No. 3); and fourth, the remittitur does not make provision for notes of the City held by any of the Clearing House Banks or Pension Funds, all of which signed the Amended and Restated Agreement (category No. 4).

As to category No. 1, a judgment was entered with respect to notes held by the plaintiff on March 10, 1977, requiring payment of the $790,000 of such notes held by the plaintiff by April 11, 1977. As to categories No. 2 and 3, public notices to all holders in such categories have been prepared and published together with forms of application, and Manufacturers Hanover Trust Company has begun to receive such applications on behalf of the City and the Court. As to category No. 3, applications will be received at the same time as applications from holders in category No. 2 are received. Such applications may, however, be processed or acted upon by the Court later than those included in category No. 2. It is not now known when Judge Gibson will determine how long a period will be permitted between the entering of judgment and its required payment with respect to notes in category No. 3. As to category No. 4, negotiations have taken place, but no agreement has been reached, as to the continued applicability of certain provisions of the Amended and Restated Agreement to notes in such category, see “Position of Banks, Pension Funds and Other Noteholders.”

The Corporation cannot predict with accuracy when payments pursuant to the Court orders may be expected, but estimates that the Court will order such payments to commence with respect to City Notes held by individual holders in category No. 2 early in May 1977. The Corporation cannot now estimate when the Court will order such payments to commence with respect to City Notes held by holders in category No. 3. The City has developed a plan to provide, over a period of time, for the payment of the City Notes in accordance with the Courts’ decisions, see “Plan to Provide for Repayment.”

On March 8, 1977, Judge Gibson entered an order that interest on the City Notes will accrue at the rate of 6% a year from the stated maturity date to the date of payment. The holders of certain City Notes have sought judgments requiring the City to pay holders of City Notes after their stated maturity interest in excess of the 6% annual rate of interest ordered by Judge Gibson. If the plaintiffs in such actions are successful, the City would be required to pay persons holding City Notes, after their stated maturity, interest at such rate in excess of 6% a year. 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.

Holders of City Notes may either follow the procedures required by the Courts in order to seek judgments requiring cash payments with respect to their City Notes or accept the Exchange Offer and receive 1977 Series 7 Bonds in exchange for their City Notes. In addition, although the Corporation has no assurance that a market for City Notes will exist, or if it does exist, that it will be at a level acceptable to holders of City Notes, holders of City Notes may also have an opportunity to sell their
City Notes through customary market channels to persons who may themselves tender such City Notes to the Corporation pursuant to the Exchange Offer. In addition, holders of City Notes may attempt to exercise such other rights as they may have, based upon the provisions referred to under “Constitutional and Statutory Rights” or otherwise.

Plan to Provide for Repayment

The City has devised and is attempting to implement a plan to obtain sufficient moneys to pay the City Notes in full within such time periods as are required by the Courts’ decisions in the moratorium case as described under “Rights Under the Moratorium Decision.” Since November, the City has engaged in discussions and negotiations with respect to such a plan with the Corporation and representatives of the Clearing House Banks and the Pension Funds, and has consulted with other members of the financial community, the State and the Federal government. In the course of such discussions and negotiations, proposals providing for payment of the City Notes from a variety of sources, including public sales of bonds of the Corporation and/or bonds of the City, were made by various participants. Because the participants could not agree on the elements of such proposals, particularly the conditions with respect to the issuance of bonds of the City and of the Corporation, the City reviewed its own existing and potential cash resources in order to structure a plan. On March 9, 1977, the City announced such a plan (the “Note Repayment Plan”) which includes the elements outlined below, some of which were contained in previous proposals, and some of which are new.

The Note Repayment Plan, including alternate sources of funds, is subject to a number of contingencies, not all of which are referred to below and many of which are not within the control of the City or the Corporation. No assurance may be given that the Note Repayment Plan will be successfully implemented in such a manner to make available sufficient moneys on a timely basis for the repayment of the City Notes, or, if the Note Repayment Plan is so implemented, that the financial condition of the City will permit the City to apply the proceeds of such Plan to such repayment. For information with respect to the financial condition of the City, see “Certain Developments Affecting the City.”

In addition, the Note Repayment Plan does not provide for the payment of the aggregate of approximately $819 million of notes of the City held by the Clearing House Banks and the Pension Funds, see “Position of Banks, Pension Funds and Other Noteholders.”

The Note Repayment Plan includes the following elements:

1. **Produce of the sale or assignment of Mitchell-Lama Mortgages.** The Note Repayment Plan assumes that the City will realize approximately $200 million, by June 30, 1977, from sales or assignments of mortgages on housing developed under the State Mitchell-Lama Law (the “Mitchell-Lama Mortgages”), and further assumes that, with an intensive effort on its part, the City can realize an additional $210 million from the sale or assignment of additional Mitchell-Lama Mortgages. The Note Repayment Plan assumes that of this latter $210 million, $100 million will be realized by September 30, 1977, and the remaining $110 million by December 30, 1977. Realization of such moneys in the amounts and at the times projected in the Note Repayment Plan is subject to factors that are or may be beyond the control of the City, including securing Federal Housing Administration insurance on such mortgages in a timely manner and in amounts sufficient to realize the projected amounts of cash and receiving the cooperation and consent of the mortgagors. The consent of certain mortgagors may be dependent in part on receipt of favorable rulings from the Internal Revenue Service. The consent of other mortgagors, particularly tenant-owners of cooperative housing companies, may depend on additional factors which may make their timely consent difficult to obtain. In addition, changes may be required in certain previously enacted State legislation relating to the application of proceeds of sale of or satisfaction of Mitchell-Lama Mortgages.

2. **The New York City Educational Construction Fund.** The Note Repayment Plan assumes that the City will realize $50 million by June 30, 1977, from the New York City Educational
Construction Fund (the "ECF"). The ability of the ECF to make such a payment by such date is dependent on the ECF’s sale of certain of its bonds which will be secured, at least in part, by the income under an executory contract of sale of certain facilities to the New York Telephone Company. ECF does not now have a firm commitment with respect to such sale of its bonds.

3. **Investment of cash resources.** The Note Repayment Plan assumes that $109 million from certain funds under the control of the City will be available to pay City Notes directly or indirectly by investment in securities of the City or the Corporation, as follows: (i) by May 1, 1977, $40 million from the New York City Transit Unification Sinking Fund and $33 million from a debt service reserve fund for City sewage treatment facilities debt and (ii) by June 30, 1977, $36 million from a capitalized lease program escrow account.

4. **Cash available from capital budget.** The Note Repayment Plan assumes that $57 million will become available to the City by June 30, 1977, as a result of a reduction of the City moneys required to finance certain expenditures for capital expenses prior to the times of reimbursement thereof by the State and Federal government.

5. **Restructuring of certain debt of the Corporation.** The Note Repayment Plan assumes that approximately $90 million will be made available by June 30, 1977, from the voluntary deferral by the Pension Funds and the City Sinking Funds of the February 1, 1978, principal payment on certain bonds of the Corporation which they currently hold and the reinvestment in obligations of the Corporation of moneys previously received by the Pension Funds and the City Sinking Funds as payment of principal on such bonds on February 1, 1977. Although no binding agreements have been entered into with respect to such deferrals and reinvestments, the Municipal Labor Committee has agreed to recommend to the Trustees of the Pension funds such referral and reinvestment.

6. **The Exchange Offer.** The Note Repayment Plan assumes that $250 to $300 million of City Notes will be exchanged pursuant to the Exchange Offer. The Corporation cannot estimate the amount of City Notes that will be so exchanged.

The Note Repayment Plan further assumes that, if any of the foregoing is not achieved at the contemplated dates, the following alternate sources of funds may be available to provide for payment of the City Notes:

(A) The Note Repayment Plan assumes that $60 million may become available prior to December 31, 1977, from investment by the City in obligations of the City or the Corporation of moneys received as reimbursement from the Federal government of amounts previously spent by the City for sewage treatment facilities. Such reimbursement is subject to the enactment of Federal legislation, which has been introduced in Congress but has not yet been passed. There can be no assurance that such legislation will be enacted into law.

(B) The Note Repayment Plan assumes that some of the existing cash resources which the City currently plans to use to pay its operating and capital expenses during the 1978 fiscal year may be used instead to pay the City Notes, see “Certain Developments Affecting the City.” The Note Repayment Plan further assumes that, in such event, the City or the Corporation would seek to sell obligations in the latter half of such fiscal year to replace the cash so used. As noted above, no agreement has been reached on the elements of such an issuance of obligations of the City or the Corporation. Because implementation of the Note Repayment Plan is expected substantially to exhaust the City’s projected closing cash balance on June 30, 1978, further issuances of obligations of the City or the Corporation in the latter half of the 1978 fiscal year may become necessary, in any event, to provide the City with needed cash resources.

The Note Repayment Plan is designed to provide for the payment of the City Notes from cash and other sources which the City does not project as revenues in its 1978 fiscal year Expense Budget.
and the City has projected that implementation of the Note Repayment Plan would have a minimal
effect on such Expense Budget.

Rights Under Certain Pending Litigation

In the litigation discussed herein under “Litigation — Revenues of the Corporation”, the plaintiff
bondholders seek, among other things, 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. If such a claim were instituted and upheld as to the City Notes, 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
City 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 against the City and various banks and brokers who participated
in the sale of City Notes. If such fraud is established, holders of City Notes may have the right to
seek damages or rescission of such purchases. 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.

Position of Banks, Pension Funds and Other Noteholders

The Exchange Offer does not relate to, and the Note Repayment Plan does not provide for the
payment of, the balance of the City’s outstanding notes that are held by the Corporation, the Clearing
House Banks, the Pension Funds and the United States, and such notes are not included within the
definition of City Notes as such term is used in this Official Statement.

The Clearing House Banks and the 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, 1978. Pursuant to the Amended and
Restated Agreement, the Banks and Pension Funds agreed to defer the payment in full of principal of
such notes of the City until July 1, 1988, subject to equal annual reductions of outstanding principal
during the period from the end of the moratorium period under the Moratorium Act to July 1, 1986,
provided, among other things, that the City timely pays interest at the rate of 6% a year on such notes
and on the City Notes, that the budget of the City shall then be in balance, and that 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.

The Clearing House Banks have stated that they do not consider themselves bound by the terms
of the Amended and Restated Agreement as a result of the moratorium decision. The City and the
Corporation have stated that they believe that the Clearing House Banks continue to be bound by such
terms. The status of the notes of the City held by such Banks, as well as the notes held by the Pension
Funds, may be the subject of legal action or future negotiations among such holders, the City and the
Corporation.

As of the date of this Official Statement, the Corporation holds notes of the City in the aggregate
principal amount of $2,813,650,000 with several stated maturity dates from December 11, 1975 through
October 15, 1976, including the notes received by the Corporation pursuant to the previous exchange
offers 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 or
interest any notes of the City (other than bond anticipation notes of the City which will be presented
for the payment of interest only) held by the Corporation until otherwise instructed.

As of the date of this Official Statement, the United States holds $2,100,000,000 of notes of the City
maturing between April 1 and June 30, 1977. 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 $1,260,000,000 of notes issued under such Credit Agreement during its 1976 fiscal year.

OUTSTANDING DEBT OF THE CORPORATION

The Corporation at present has outstanding $599,110,000 in aggregate principal amount of Bonds issued pursuant to the Second General Bond Resolution (after giving effect to the Corporation’s repurchase of $17,240,000 of such Bonds to meet, in part, sinking fund requirements) and $2,900,610,000 in aggregate principal amount of First Resolution Bonds.

The holders of the First Resolution Bonds have a claim prior to that of the holders of the Bonds on all amounts received by the Corporation from the State as payments from the Municipal Assistance Tax Fund (which includes the revenues derived from the Sales Tax and the Stock Transfer Tax.) The holders of the First Resolution Bonds have no claim, however, on any Per Capita Aid, which is the principal source of payment for the Bonds, received by the Corporation.

As at March 15, 1977, the Corporation had on deposit in the Bond Service Fund and the Capital Reserve Aid Fund $12,800,000 and $21,500,000, respectively, for the payment of principal of and interest on the Bonds, which amounts equal or exceed the amounts required by the Act and the Second General Bond Resolution to be in such Funds on such date. For additional information concerning the financial condition of the Corporation as at June 30, 1976 and December 31, 1976 and events occurring between December 31, 1976 and the date hereof, see the audited financial statements of the Corporation as at June 30, 1976 and the unaudited financial statements as at December 31, 1976 annexed hereto and “Financial Statements and Subsequent Events.”

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 and Notes.”

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 the City (the “Mayor”) of a schedule setting forth the cash requirements of the Corporation and the time or times when such cash is required. The certification is required to include the total amount required to be deposited in the Bond Service Fund to pay all
interest on and all principal of and redemption premium, if any, maturing or otherwise coming due during such fiscal year on all outstanding Bonds 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 required to fund the Capital Reserve Aid Fund in any calendar year is a fixed percentage of the amount of principal (including sinking fund installments) and interest maturing or otherwise coming due during such calendar year, as set forth below, on all outstanding Bonds, including for such purpose any unpaid amounts of such principal and interest owing in respect of prior calendar years. The fixed percentages of such debt service requirements to be maintained in the Capital Reserve Aid Fund for the calendar years 1977, 1978, 1979 and 1980 are 25%, 50%, 75% and 100% of the requirements for such years, respectively. Beginning in 1981, the fixed percentage is 100% of the succeeding calendar year’s debt service requirements.

Payments 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 moneys have been appropriated by the State Legislature to the Special Aid Account and from 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 moneys 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 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 claims of the Corporation have been paid. Such statutory claims are described below under “Municipal Assistance State Aid Fund.” The source of moneys in the Special Tax Account is the Sales Tax and, if required, the Stock Transfer Tax Fund, the moneys in which are derived from the Stock Transfer Tax imposed by Article 12 of the Tax Law. In the opinion of Bond Counsel, the State has the right and power to appropriate, apportion and pay to the Corporation such aid and to impose, appropriate and pay to the Corporation such taxes and to increase or decrease the amount of such aid and such taxes, and 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 but is not bound or obligated to continue the procedure for appropriation, apportionment and payment of such aid or the imposition of such 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 the Corporation or received by the Corporation in exchange for its bonds. 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. It is the present policy of the Corporation, however, not to present for payment of principal or interest any obligations of the City held by the Corporation (other than bond anticipation notes of the City which will be presented for the payment of interest only). Moneys in the Bond Service Fund are subject to the aforesaid pledge and lien upon the Bond Service Fund. 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.
Neither the Corporation nor the holders of the Bonds 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 is a corporate governmental agency and instrumentality of the State and not of the City. 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.

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 Finance Law provides that the State Legislature shall appropriate the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation; however, the State Legislature may not be bound in advance to make such an appropriation. Under the State Constitution, an appropriation of State funds must be paid out within two years of the date of the appropriation act. The State Legislature has appropriated, for the benefit of the Corporation, the Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the State's fiscal year beginning April 1, 1976. It is expected, but the Corporation has no assurance, that the State Legislature will make an annual appropriation of the Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the fiscal year beginning April 1, 1977, and for subsequent fiscal years.

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 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 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 Tax 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 the appropriation by the Legislature and once the Per Capita Aid has been paid into the Municipal Assistance State Aid Fund, similar provisions of the Finance Law 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 expected would have a serious impact on the ability of the State and its agencies and public benefit corporations to raise funds in the public market. (Debt issuing public benefit corporations, agencies and authorities of either the City or the State are sometimes referred to herein as "authorities.")

The foregoing discussion does not constitute an assurance that the State Legislature will appropriate the Per Capita Aid, the Sales Tax and the Stock Transfer Tax for the benefit of the Corporation as expected, see "Certain Developments Affecting the State."

Article 7, Section 16 of the State Constitution provides that if the State Legislature shall fail to make an appropriation for the payment of principal of and interest on State debt obligations, including sinking fund payments, as the same shall fall due, the State Comptroller "... shall set apart from
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.

THE CITY OF NEW YORK
the first revenues thereafter received, applicable to the general fund of the State, a sum sufficient to pay such interest, installments of principal, or contributions to such sinking fund, as the case may be, and shall so apply the moneys thus set apart."

Section 55 of the Finance Law provides that, under certain terms and conditions, the State Comptroller is to set aside all taxes and revenues (defined to mean moneys payable into the General Fund of the State but with certain itemized exceptions) in a note repayment account established pursuant to such section for the purpose of paying the principal of and interest on certain State tax and revenue anticipation notes.

In the opinion of Bond Counsel, under existing law, upon any failure of the State Legislature to make the required appropriations for State debt obligations as aforesaid or upon the establishment of a note repayment account as aforesaid, moneys on deposit in the Stock Transfer Tax Fund and the Municipal Assistance Tax Fund, including the Special 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 neither said Article 7, Section 16 nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of State obligations or for deposit into such note repayment account. Further, under the existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special 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 either for the payment of State obligations or for deposit into such note repayment account. 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 moneys available in the General Fund of the State will be sufficient 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 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 Finance Law provides for the apportionment and payment of the Per Capita Aid theretofore appropriated by the Legislature (although the Legislature is not obligated or bound to make such appropriation) of (1) any amounts, limited by the September 1975 Financial Emergency Legislation (the "Emergency Act") 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

* Although the Emergency Act 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 are 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 could be due and payable and would, to the extent of fifty percent of such principal amount, have a prior claim on the Per Capita Aid. CUCF has outstanding $515,845,000 in Bonds and expects, prior to the delivery of the 1977 Series 7 Bonds, to issue and deliver an additional $6,200,000 in CUCF bonds.
Emergency Act 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, (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, 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 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 shall at any time be less than the amount certified by the Chairman and payable to the Corporation, the 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."

The 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 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 and to maintain the Capital Reserve Aid Fund. 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. 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.

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 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 State Legislature for such purpose to the credit of the Local Assistance Fund in the General Fund of the State Treasury. The Corporation has been informed that all or substantially all of the Per Capita Aid payable to the City on an annual basis is disbursed to the City as a part of the June payment. The Corporation has covenanted to make such certifications as are necessary to meet its requirements.

The determination of the amount of Per Capita Aid payable under Section 54 of the 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 State 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 1977 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 exceptions as may be required to comply with obligations to holders of bonds of the State or holders of bonds guaranteed by the State. The Corporation anticipates that similar legislation will be enacted with respect to tax and revenue anticipation notes issued by the State during its 1978 fiscal year and may be enacted with respect to subsequent fiscal years. In any fiscal year for which such legislation is enacted, if there shall be insufficient moneys set aside pursuant to such legislation to pay debt service on such notes which mature in such fiscal year prior to the time at which moneys are to be deposited in the Special Aid Account for the payment of debt service on Bonds, 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, the State Comptroller’s office and the State Division of the Budget, indicates the aggregate payments of Per Capita Aid to the City received for the six fiscal years ended June 30, 1975, the Per Capita Aid available to the Corporation and paid to Corporation or the City for the fiscal year ended June 30, 1976 and the amount included in the Governor’s Executive Budget for the State’s 1978 fiscal year with respect to Per Capita Aid and therefore expected to be available to the Corporation for the fiscal year ending June 30, 1977:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payments to City</th>
<th>Payments to Corporation</th>
<th>Payments to City</th>
<th>Payments to Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>$204,800,000</td>
<td>1974</td>
<td>$309,870,000</td>
<td></td>
</tr>
<tr>
<td>1971</td>
<td>323,900,000</td>
<td>1975</td>
<td>405,118,000</td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td>272,250,000</td>
<td>1976</td>
<td>434,311,000</td>
<td></td>
</tr>
<tr>
<td>1973</td>
<td>331,780,000</td>
<td>1977</td>
<td>434,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**Municipal Assistance Tax Fund**

The Municipal Assistance Tax Fund has been established by the Finance Law and is in the custody of the State Comptroller. Within the Municipal Assistance Tax Fund, the Special 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 of administering, collecting and distributing the Sales Tax. The operative date of the Sales Tax was July 1, 1975. The Finance Law provides for the appropriation of the Sales Tax by the State Legislature (although the State Legislature is not obligated or bound to make such appropriation) (i) to the Corporation in order to enable the Corporation to fulfill the terms of any agreements made with the holders of the Corporation’s 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, or 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 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 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 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.

The 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 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 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 and to maintain the Capital Reserve Aid Fund. 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 substantially quarterly payments to the Corporation for deposit in the Bond Service Fund and the Capital Reserve Aid Fund from the Special Tax Account. Subject to appropriation 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 such quarterly 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 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 the Special Tax Account. The State Comptroller may in his discretion invest moneys 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 for any reason to continue the imposition of either the Sales Tax imposed by the Tax Law as the same may be from time to time amended or the Stock Transfer Tax imposed by such Law as the same may be from time to time amended or a reduction of the rates of such taxes to rates less than those in effect on July 2, 1975, or (ii) the failure of the State 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."

Sales Tax

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

The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the City, and there can be no assurance that the historical data with respect to collections of such tax are necessarily indicative of future receipts. During recent years the City has experienced adverse trends in certain economic and demographic factors. Employment in the City decreased by 13.6% between 1970 and January 1977 as compared to an increase of 12.8% for the United States. The City’s unemployment rate rose from 4.8% in 1970 to 10.6% in January 1977. The unemployment rate for the United States increased from 4.9% in 1970 to 7.3% in January 1977. The population of the City decreased by 4.3% between 1970 and 1975, as compared to a population increase of 4.2% for the United States. (The sources of statistics referred to in this paragraph are the U.S. Department of Labor, New York State Department of Labor, Bureau of Labor Statistics and the U.S. Department of Commerce, Bureau of the Census.)

If such trends continue or accelerate, Sales Tax collections may be adversely affected. The Corporation believes that it is not now possible to predict the effect of future developments with respect to the City’s economic condition or other related economic developments in the City on Sales Tax collections. As shown in the table below, collections of the Sales Tax and the sales and compensating use taxes previously imposed by the City have increased in each of the last ten years, although since 1974 at a rate less than the rate of inflation.

Generally, vendors of any item including services, the sale of which is subject to the imposition of the Sales Tax, are required to file returns on a quarterly basis. Under existing statutes and regulations, such returns and payments are due on September 20, December 20, March 20 and June 20 for the quarter ending on the last day of the preceding month. Since March 1, 1976, however, certain large vendors, i.e. all persons with taxable receipts of $300,000 or more ($100,000 or more beginning September 1, 1977) in any quarter of the preceding four quarters, are required to file monthly returns and make monthly payments in addition to filing regular quarterly returns.

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

The Sales Tax is imposed on the same tax base as the sales and compensating use taxes previously imposed by the City and collected by the State. A tax on sales of certain tangible personal property and services had been imposed by the City since 1934. Such tax base does not include certain additional limited sales taxes on particular services which the City is still authorized to impose. State collections of the sales and compensating use taxes imposed by the City prior to July 1, 1975, and of the Sales Tax imposed by the State since July 1, 1975, for the last ten fiscal years of the City and the first and second quarters of its 1977 fiscal year, 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 (a)

<table>
<thead>
<tr>
<th>City Fiscal Year Ended June 30</th>
<th>September 30</th>
<th>December 31</th>
<th>March 31</th>
<th>June 30</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Dollars in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td>$ 85,565</td>
<td>$ 90,962</td>
<td>$ 99,904</td>
<td>$ 95,898</td>
<td>$371,317</td>
</tr>
<tr>
<td>1969</td>
<td>101,388</td>
<td>107,685</td>
<td>113,507</td>
<td>116,219</td>
<td>438,772</td>
</tr>
<tr>
<td>1970</td>
<td>106,046</td>
<td>114,756</td>
<td>105,560</td>
<td>135,197</td>
<td>461,559</td>
</tr>
<tr>
<td>1971</td>
<td>114,093</td>
<td>121,190</td>
<td>129,224</td>
<td>130,138</td>
<td>494,645</td>
</tr>
<tr>
<td>1972</td>
<td>121,692</td>
<td>129,452</td>
<td>132,033</td>
<td>135,490</td>
<td>518,667</td>
</tr>
<tr>
<td>1973</td>
<td>130,857</td>
<td>129,541</td>
<td>146,528</td>
<td>142,288</td>
<td>549,184</td>
</tr>
<tr>
<td>1974</td>
<td>135,272</td>
<td>141,973</td>
<td>151,575</td>
<td>151,978</td>
<td>580,798</td>
</tr>
<tr>
<td>1975(b)</td>
<td>173,824</td>
<td>198,990</td>
<td>213,671</td>
<td>201,715</td>
<td>787,200</td>
</tr>
<tr>
<td>1976(b)</td>
<td>194,560(e)</td>
<td>193,690</td>
<td>247,203(d)(e)</td>
<td>167,155(d)(e)</td>
<td>802,608</td>
</tr>
<tr>
<td>1977(b)</td>
<td>215,794(e)</td>
<td>210,383(e)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(a) Figures obtained from the State Department of Taxation and Finance.

(b) The amounts of sales and compensating use taxes collected for fiscal 1975, 1976 and 1977 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 has remained the same.

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

(d) Commencing on and after March 1976, certain large vendors were required to file returns on a monthly basis. A portion of the amounts of Sales Tax reported in the month of March 1976 represents, in addition to amounts reported for the quarter December 1975 through February 1976, payments of estimated amounts of Sales Tax for the month of March 1976. Adjustments necessary to report and reflect proper payment of Sales Tax for such month are required to be made on the monthly return for such month due in the calendar month of April immediately following. In an action pending before the Appellate Division, Third Department, certain vendors are seeking to invalidate the requirement that estimated amounts of sales and compensating use taxes be prepaid for the month of March. Plaintiffs have appealed a State Supreme Court decision upholding such requirement and are seeking to stay the collection of estimated tax for March, 1977, pending the outcome of such appeal.

(e) Commencing March 1976, because of a monthly filing procedure which authorizes certain large vendors to estimate sales and compensating use tax liability for particular months based upon historical experience for quarters containing those months, such vendors may have overpaid sales and compensating use tax liability for those particular months. Furthermore, after deduction of the State portion of such estimated payments, the remainder of such payments also was distributed to various jurisdictions on a historical basis and payments of the Sales Tax calculated on such historical basis were deposited in the Special Tax Account. Accordingly, any overpayments or underpayments of the Sales Tax into the Special Tax Account resulting from either of the aforementioned factors would require adjustment of amounts otherwise payable into the Special Tax Account for subsequent periods. The total amount of any such adjustments that may be required with respect to prior periods has not as yet been calculated by the State Department of Taxation and Finance. However, a reduction of $2,476,553 was made to the January 1977 distribution to the Special Tax Account to reflect overpayment to the Special Tax Account for Sales Tax collected by the Department of Taxation and Finance during the calendar months of March, April and May 1978. Additionally, an interim reduction of $5,100,000 was made to the February 1977 distribution to the Special Tax Account to mitigate the effect of any adjustment which the State Department of Taxation and Finance may determine is
Under the Finance Law, moneys in the Stock Transfer Tax Fund shall, after deduction of the amount the State Commissioner of Taxation and Finance determines to be necessary for reasonable costs in the administration, collection and distribution of the Stock Transfer Tax, be paid to the extent needed into the Special 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 seven fiscal years of the City and the first and second quarters of its 1977 fiscal year based upon the various rates prevailing during the periods shown.

**State Collections of Stock Transfer Tax (a)**

<table>
<thead>
<tr>
<th>City Fiscal Year Ended</th>
<th>Three Months Ended</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30</td>
<td>September 30</td>
<td>December 31</td>
</tr>
<tr>
<td>1970</td>
<td>$56,571</td>
<td>$70,509</td>
</tr>
<tr>
<td>1971</td>
<td>46,563</td>
<td>59,170</td>
</tr>
<tr>
<td>1972</td>
<td>62,573</td>
<td>65,894</td>
</tr>
<tr>
<td>1973</td>
<td>59,405</td>
<td>68,993</td>
</tr>
<tr>
<td>1974</td>
<td>43,612</td>
<td>59,762</td>
</tr>
<tr>
<td>1975</td>
<td>35,756</td>
<td>40,214</td>
</tr>
<tr>
<td>1976</td>
<td>53,049</td>
<td>57,927</td>
</tr>
<tr>
<td>1977</td>
<td>62,220</td>
<td>69,219</td>
</tr>
</tbody>
</table>

(a) Figures obtained from the State Department of Taxation and Finance. Includes collections of the 25% surcharge imposed upon the Stock Transfer Tax effective August 1, 1975.

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

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

The amount of Per Capita Aid appropriated and paid into the Special Aid Account and paid to the Corporation and the City with respect to the Corporation’s 1976 fiscal year, was approximately $434,312,000. Based on such amount, after taking into account the maximum amount of all prior claims and liabilities (none of which was asserted in the Corporation’s 1976 fiscal year) with respect thereto, which are described in the paragraphs following the table set out below, the estimated available amounts of Per Capita Aid would range, during the term of the outstanding Bonds, from a low of approximately $350,691,000 in the Corporation’s 1977 fiscal year to a high of approximately $391,451,000 in the Corporation’s 1982-91 fiscal years. (The Governor’s Executive Budget for the State’s 1975 fiscal year includes approximately $434,312,000 with respect to Per Capita Aid which, if apportioned and paid to the Corporation pursuant to the Act, after taking into account estimated maximum amounts of all prior claims and liabilities with respect thereto, would equal $350,691,000.) Based on estimated collections of the Sales Tax and the Stock Transfer Tax for the twelve months ended February 28, 1978, amounts of such taxes available for payment of First Resolution Bonds and the Bonds (excluding the 25% surcharge imposed under present law on Stock Transfer Tax until July 31, 1978 and less State expenses of administration) would equal approximately $1,103,033,000. The annual debt service funding requirements on all outstanding First Resolution Bonds, which have a claim on Sales Tax and Stock Transfer Tax prior to that of the Bonds, ranges, during the term of the outstanding Bonds, from a high of approximately $651,312,000 in fiscal 1980 to a low of approximately $27,132,000 in fiscal 1993.

28
The following table shows debt service payment requirements of the Corporation in each of its fiscal years set forth below on all Bonds, after giving effect to the issuance of specified amounts of 1977 Series 7 Bonds. In addition, the following table shows the ratio of (i) the total amount (and, alternatively, amounts of Per Capita Aid alone) estimated to be available to the Corporation for payment of debt service on the Bonds during the 12 months ended February 28, 1978, less estimated administrative expenses and estimated maximum amounts of all prior claims and liabilities on Per Capita Aid for each specified 12-month period and reflecting annual debt service funding requirements on all outstanding First Resolution Bonds for each specified fiscal year, to (ii) the debt service required to be paid by the Corporation in each of the fiscal years of the Corporation set forth below on all Bonds, after giving effect to the issuance of specified amounts of 1977 Series 7 Bonds. There is no assurance, however, that the amounts of Per Capita Aid, Sales Tax or the Stock Transfer Tax available to the Corporation will, in fact, remain at such levels, see “Per Capita Aid”, “Sales Tax” and “Stock Transfer Tax”, that the estimated operating expense level of the Corporation will not change, or that no additional obligations will be issued by the Corporation pursuant to the First or Second General Bond Resolution.

### Debt Service Payment Requirements and Estimated Coverage Ratios

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Total Debt Service Payments</th>
<th>Coverage Ratio (b)</th>
<th>Total Debt Service Payments</th>
<th>Coverage Ratio (b)</th>
<th>Total Debt Service Payments</th>
<th>Coverage Ratio (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All Available Revenues</td>
<td>Per Capita Aid Only</td>
<td>All Available Revenues</td>
<td>Per Capita Aid Only</td>
<td>All Available Revenues</td>
<td>Per Capita Aid Only</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>$55,400,904.64</td>
<td>17.12</td>
<td>6.25</td>
<td></td>
<td>$55,400,904.64</td>
<td>17.12</td>
</tr>
<tr>
<td>1978</td>
<td>61,292,400.00</td>
<td>15.63</td>
<td>5.75</td>
<td></td>
<td>97,032,400.00</td>
<td>9.85</td>
</tr>
<tr>
<td>1979</td>
<td>79,211,500.00</td>
<td>11.83</td>
<td>4.56</td>
<td></td>
<td>127,961,200.00</td>
<td>7.32</td>
</tr>
<tr>
<td>1980</td>
<td>79,209,500.00</td>
<td>10.57</td>
<td>4.82</td>
<td></td>
<td>127,959,200.00</td>
<td>6.54</td>
</tr>
<tr>
<td>1981</td>
<td>79,203,500.00</td>
<td>13.77</td>
<td>4.82</td>
<td></td>
<td>127,953,200.00</td>
<td>8.33</td>
</tr>
<tr>
<td>1982</td>
<td>79,208,400.00</td>
<td>13.74</td>
<td>4.89</td>
<td></td>
<td>127,959,400.00</td>
<td>8.50</td>
</tr>
<tr>
<td>1983</td>
<td>89,518,500.00</td>
<td>12.09</td>
<td>4.55</td>
<td></td>
<td>138,266,500.00</td>
<td>7.63</td>
</tr>
<tr>
<td>1984</td>
<td>89,516,000.00</td>
<td>13.50</td>
<td>4.39</td>
<td></td>
<td>168,472,943.75</td>
<td>7.17</td>
</tr>
<tr>
<td>1985</td>
<td>89,530,500.00</td>
<td>11.68</td>
<td>4.33</td>
<td></td>
<td>168,327,750.00</td>
<td>8.20</td>
</tr>
<tr>
<td>1986</td>
<td>89,512,500.00</td>
<td>15.43</td>
<td>4.33</td>
<td></td>
<td>168,151,768.75</td>
<td>8.27</td>
</tr>
<tr>
<td>1987</td>
<td>89,412,500.00</td>
<td>15.97</td>
<td>4.33</td>
<td></td>
<td>167,866,643.75</td>
<td>8.50</td>
</tr>
<tr>
<td>1988</td>
<td>92,958,900.00</td>
<td>63.53</td>
<td>18.88</td>
<td></td>
<td>191,217,450.00</td>
<td>14.41</td>
</tr>
<tr>
<td>1989</td>
<td>22,902,800.00</td>
<td>62.94</td>
<td>18.87</td>
<td></td>
<td>101,000,757.50</td>
<td>14.51</td>
</tr>
<tr>
<td>1990</td>
<td>22,900,400.00</td>
<td>61.83</td>
<td>18.87</td>
<td></td>
<td>100,755,400.00</td>
<td>14.09</td>
</tr>
<tr>
<td>1991</td>
<td>22,867,000.00</td>
<td>59.75</td>
<td>18.88</td>
<td></td>
<td>100,401,557.50</td>
<td>13.65</td>
</tr>
<tr>
<td>1992</td>
<td>22,811,200.00</td>
<td>60.48</td>
<td>18.91</td>
<td></td>
<td>100,153,168.25</td>
<td>13.83</td>
</tr>
</tbody>
</table>
| Total                     | $905,589,704.64            | $1,525,863,667.14 | $2,055,968,842.14          |                   |}

(a) The Corporation may issue additional Bonds pursuant to the Second General Bond Resolution, subject to the limitations described under “Bonds Being Offered — Additional Bonds.”

(b) The Corporation has been advised by the Commissioner of Taxation and Finance that his estimate of the aggregate amount of Sales and Stock Transfer Taxes which is expected to be available for deposit in the Special Tax Account for the twelve months commencing March 1, 1977 is $50,000,000 less than the amount available for deposit therein for the 12 months ended February 28, 1977. The Commissioner has advised that the portion of such aggregate decrease resulting from a decrease in Sales Tax collections is primarily caused by the following two factors: (1) because of changes in collection procedures required of certain large vendors, collections by such vendors for the 12 months ended February 28, 1977 actually included Sales Tax attributable to a fourteen month sales period of December 1975 through January 1977, whereas the collections for 12 months ending February 28, 1978 will include Sales Tax attributable to the 12-month sales period of February 1977 through January 1978; (2) it is anticipated that the collections during the 12 months commencing March 1,
1977 will be reduced to reflect overdistributions to the Special Tax Account during the 12 months commencing March 1, 1976, see footnote (e) to the above table entitled "State Collections of Sales and Compensating Use Taxes in New York City." The Commissioner has further advised that the portion of such aggregate decrease resulting from a decrease in Stock Transfer Tax collections is primarily caused by application of his following two assumptions: (1) the issuance of an order by the State Court of Appeals in the action brought by certain regional stock exchanges discussed above under "Stock Transfer Tax" applying the maximum tax and the non-resident rate regardless of whether a taxable sale is made within the State is expected to produce a minor loss in Stock Transfer Tax collection; and (2) he expects that the volume of transactions on stock exchange located within the State will decrease in the 12 months commencing March 1, 1977.

The total debt service payments set forth above do not include amounts required to be paid into the Capital Reserve Aid Fund, see "General." For information with respect to coverage required for issuance of additional Bonds, see "Bonds Being Offered — Additional Bonds."

The Corporation has sought to estimate the amounts of the following potential claims and liabilities on Per Capita Aid that are payable prior to the payment of Per Capita Aid into the Special Aid Account. In making such estimates the Corporation has relied on information which it believes to be accurate and has assumed 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. CUCF expects to lower such certification by $1,045,000 in the near future.

(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 $19,780,000. HDC has outstanding $37,703,000 in bond anticipation notes which HDC expects to fund with bonds. The Control Board has approved issuance of an additional $1,150,000 of HDC bonds to complete the Kew Gardens Hills Project rehabilitation. Such funding and bond issuance 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.

(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 March 21, 1977, $13,619,400 in principal amount of such notes, bearing interest at a maximum rate of 5% per annum, were still outstanding and represent a potential annual claim on such Per Capita Aid in the amount of $13,619,400.

(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 com-
mencing 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. $25,500,000 in aggregate principal amount of such notes, bearing interest at the rate of eight percent (8%) a year, 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 .................................................. 7,140,000

(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 repayment 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 repayment 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 repayment has commenced and $40,000,000 remains outstanding ........................................... 20,000,000

(d) New York City Police Pension Fund.

Payments are due annually from Per Capita Aid to the Trustees of the City Police Pension Fund ................................................................. 500,000

Estimated amount of Per Capita Aid available to the Corporation based on the estimated amount per capita State aid provided in the Governor’s Executive Budget (the Corporation’s 1977 fiscal year) .................. $350,691,265

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 immediately following passage of such law. Accordingly, the provision of the Act quoted above does not constitute an enforceable obligation or debt of the State. See "Appropriation by Legislature."

In 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.

**Federal Bankruptcy Legislation**

As discussed under "Certain Developments Affecting the City—Federal Bankruptcy and State Stay Legislation", in April 1976, a new Chapter IX of the Federal Bankruptcy Act became effective. A petition for relief under the provisions of such Chapter may be filed by any State agency that is authorized under State law to file such a petition. The Corporation is an agency and instrumentality of the State and, if authorized to file a petition by the State Legislature or other appropriate authority, could file a Chapter IX petition if the Corporation were insolvent or unable to meet its debts as they mature, and were to meet the other conditions specified in Chapter IX. The Corporation is not now authorized by the State to file a Chapter IX petition, although it may be so authorized in the future. If the Corporation commenced such a Chapter IX proceeding, the Bonds, including the 1977 Series 7 Bonds, would be among the debts it could seek to modify or adjust by a plan in that proceeding. The Corporation does not anticipate that it will seek such authorization and does not anticipate a need for such relief.

Although the filing by the City of a Chapter IX petition might have a general adverse effect on the economic health of the City, the Corporation believes that the filing by the City or the Emergency Financial Control Board of a Chapter IX petition would not have a material adverse effect on the available revenues of the Corporation and, thus, would not affect the ability of the Corporation to repay its obligations, including the 1977 Series 7 Bonds, see "Certain Developments Affecting the City."

**BONDS BEING OFFERED**

**Description of the Bonds**

**General**

The 1977 Series 7 Bonds will be dated January 1, 1977, and will bear interest from the Expiration Date of this Exchange Offer at the rate of nine and three-quarters per cent (9¾%) a year, payable on July 1, 1977 and semi-annually on each January 1 and July 1 thereafter, and will mature on July 1, 1992.

The 1977 Series 7 Bonds will be issued to each tendering holder initially as fully registered Bonds in the denomination equal to the aggregate principal amount of such holder's City Notes accepted or,
at the election of a tendering holder who makes arrangements with the Exchange Agent to take initial delivery of Bonds at the office of the Exchange Agent, such Bonds will be issued as coupon Bonds in the denomination of $5,000 each. Registered Bonds as initially delivered are exchangeable as provided in the Resolution for coupon Bonds in 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. 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 1977 Series 7 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 1977 Series 7 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.

Optional Redemption

The 1977 Series 7 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1980 as a whole or in part, by lot, on any interest payment date, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102(\frac{1}{2})%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101(\frac{1}{2})</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100(\frac{1}{2})</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Sinking Fund Redemption

The 1977 Series 7 Bonds are further subject to redemption, in part, by lot, on July 1 of each year commencing July 1, 1983, 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 1977 Series 7 Bonds is determined pursuant to the Exchange Offer. However, the Corporation expects to schedule such Sinking Funds Installments so that the average life of the 1977 Series 7 Bonds will be approximately eleven and one half years.

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 or below 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.

Trustee

United States Trust Company of New York has been appointed the Trustee for the 1977 Series 7 Bonds. Its corporate trust office is located at 130 John Street, New York, New York 10038. For further information concerning the Trustee, see “Trustee.”
Additional Bonds

Pursuant to the Act, the Corporation is authorized to issue bonds and notes in an aggregate principal amount not exceeding $5.25 billion (exclusive of bonds and notes issued to refund outstanding bonds and notes). As of the date of this Official Statement, the Corporation has issued $3,993,535,000 aggregate principal amount of bonds and notes, excluding refunding issues but including notes paid at maturity.

Additional Bonds may be issued under the Second General Bond Resolution on a parity with the 1977 Series 7 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 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 and Finance, 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, 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 such 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 may issue additional First Resolution Bonds, Notes or Other Obligations under the First General Bond Resolution only if the following conditions imposed by such Resolution are met:

1. The amount equal to (a) the lesser of (i) the most recent collections for the 12 consecutive calendar months ended not more than two months prior to the date of such determination, of the Sales Tax and Stock Transfer Tax (and such other taxes, which as of the date of issuance of any such series of First Resolution Bonds, Notes or Other Obligations, are levied and collected by the State and are payable into the Special Tax Account) or (ii) the amounts estimated to be collectible during the succeeding twelve 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 First Resolution Bonds, Notes and Other Obligations (including the particular series or series of additional First Resolution Bonds, Notes or Other Obligations then proposed to be issued); and

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

In addition to the limitations imposed by the First General Bond Resolution on the issuance of First Resolution Bonds, Notes or Other Obligations, the Second General Bond Resolution contains other limitations upon the issuance by the Corporation of additional obligations under the First General Bond Resolution, see “Summary of the Certain Provisions of the Second General Bond Resolution—General.”

The United States Treasury Department has proposed an amendment to its regulations relating to the tax exemption for interest on obligations of certain public authorities, and it is possible that new regulations might eventually be adopted which could affect the tax exempt status of future obligations of the Corporation. Such regulations could materially increase the cost of borrowing or limit the ability of the Corporation to borrow.
CERTAIN DEVELOPMENTS AFFECTING THE STATE

As referred to under "Introduction — Payment of the Bonds" and as 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 Resolution Bonds, the Sales Tax and Stock Transfer Tax. Per Capita Aid available 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 authorities of either, may affect the existence of a market as well as the market price for the Bonds and the City Notes.

The factors affecting the State's financial condition are complex, and the following description constitutes only a brief summary. This section is based entirely on information from documents the State has prepared for use in other contexts.

Recent Financial Difficulties

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

In February 1975, the New York State Urban Development Corporation ("UDC"), a major authority, with approximately $1 billion of outstanding debt, defaulted on certain of its short-term notes. In response, the State organized the New York State Project Finance Agency ("PFA") to assist in the financing of UDC projects, and appropriated $198 million to implement a plan that cured the default.

Shortly after the UDC default, the City entered a period of financial crisis from which it has not yet emerged. To assist the City, the State (i) accelerated the payment of $800 million in local assistance payments (an action repeated in the State's 1977 fiscal year (ending March 31, 1977) and expected to be repeated in the State's 1978 fiscal year), (ii) created the Corporation to assist with long-term financing of the City's short-term debt and other cash requirements, (iii) provided advances (since repaid) to the City and the Corporation totaling $750 million and (iv) enacted the Moratorium Act. See "Certain Developments Affecting the City."

In the months following the UDC default and during the City crisis, certain other authorities and municipalities became unable to market their securities. Authorities with large amounts of short-term debt faced severe financial difficulties, and the State provided extraordinary assistance to these authorities, primarily by the purchase of their bonds and notes by State sources. Yonkers and Buffalo also experienced financial crises and received $30 million in accelerated local assistance payments from the State. The State also purchased $18 million of Yonkers notes, which have since been paid.

The State ended its 1976 fiscal year with a deficit of $447 million. Factors contributing to the deficit in the State's 1976 fiscal year included (i) a recession that was more severe in the State than nationally, (ii) extraordinary assistance to UDC and certain other authorities, (iii) nonrecurrence of $400 million of revenues that had been available in the State's 1975 fiscal year, (iv) additional expenditures (primarily educational assistance) under aid formulas that had been adopted in the
State’s 1975 fiscal year and (v) the failure of the Legislature to adopt additional revenue measures proposed by the Governor. The State financed this $447 million deficit by transferring $65 million from reserve funds and by issuing $382 million of tax anticipation notes that had to be paid early in the State’s 1977 fiscal year.

Plans and Results for the 1977 Fiscal Year

In response to these and other problems, the State developed programs that included (i) a balanced budget for its 1977 fiscal year, (ii) a borrowing plan to provide for the State’s estimated borrowing needs of $4.53 billion for its 1977 fiscal year (of which $3.72 billion was for seasonal needs, and $810 million was for capital purposes), (iii) a plan (commonly called the “Authority Build-Out Plan”) to meet the financing requirements through September 30, 1978, aggregating approximately $2.6 billion, of four financially troubled authorities (the “Build-Out Authorities”) and (iv) provision for an $87 million appropriation to UDC and appropriations to other authorities as part of the program to complete projects under construction and avoid default on outstanding obligations. In addition, legislation was adopted limiting the incurrence of additional so-called moral obligation and certain other authority debt.

The State anticipates that it will end its 1977 fiscal year with a deficit of $158 million. This deficit is expected to result, in major part, from (i) a short-fall in projected revenues from the personal income tax and the sales and use taxes, and (ii) expenditures for social services that exceeded the original budget projections. The State plans to finance this deficit by issuing notes that will mature before June 15, 1977.

The borrowing plan for the 1977 fiscal year was concluded successfully when the State (i) sold, during the Spring, $3.72 billion of tax and revenue anticipation notes to financial institutions and State sources, (ii) reentered the public securities market, selling $307 million aggregate principal amount of bonds during the fiscal year and (iii) sold bond anticipation notes to State sources for the balance of the State’s nonseasonal financing requirements. In addition, a State retirement system, during August, resold $289 million of the seasonal tax and revenue anticipation notes in the public market at a premium over their original issue price.

The Build-Out Authorities satisfied their financing needs for the State’s 1977 fiscal year. The State anticipates that the Build-Out Authorities will continue to meet their financial requirements during the Authority Build-Out Plan, and that they will be able to obtain long-term financing for their maturing bond anticipation notes and other capital requirements in the public market after September 30, 1978. In the absence of such a public market the State will be required to develop and implement a revised Authority Build-Out Plan.

Outlook for the 1978 Fiscal Year

General

On January 18, 1977, the Governor submitted to the Legislature his Executive Budget for the 1978 fiscal year (the “Executive Budget”). The Executive Budget provides for a balanced budget in the 1978 fiscal year, with both expenditures and receipts of $11.345 billion. The Executive Budget proposes a $225 million reduction in State personal income taxes, $120 million of which requires new legislation. The Executive Budget also proposes additional revenue measures and reduction in expenditures to eliminate a potential imbalance of $1.264 billion that would otherwise result. The largest proposed reduction in expenditures is in the area of assistance to local government, including the City. Legislative action will be required with respect to $852 million of such reductions.
The Executive Budget assumes the enactment of legislation that will provide for nonrecurring revenues totaling $349 million. These nonrecurring revenues result from continuation through the State's 1978 fiscal year of $261 million of certain taxes or tax rates that had been scheduled for termination or reduction, and from elimination or transfer of $88 million of certain reserves. The Executive Budget also contemplates continuation of the practice of deferring payment of refunds on personal income tax liability for the prior calendar year. An additional $25 million in nonrecurring revenues is expected from an increase under existing law in the number of vendors required to file estimated monthly sales tax payments. Thus, nonrecurring revenues in the Executive Budget total $374 million.

There can be no assurance that the Legislature will approve the Executive Budget, or that the 1978 State budget will be substantially similar to the Executive Budget as submitted.

**Borrowing Plan for the 1978 Fiscal Year**

Although the Executive Budget projects a balanced budget for the State's 1978 fiscal year, the State will have substantial borrowing requirements, consisting principally of $4.1 billion of so-called seasonal borrowing. The State anticipates that money for seasonal borrowing will be provided by the sale of tax and revenue anticipation notes during the first quarter of the State's 1978 fiscal year, which will mature before the end of the State's 1978 fiscal year. Seasonal borrowing is necessary because the State makes most of its local assistance payments during April, May and June and most of its retirement systems contributions in June, while it receives taxes and revenues to finance such payments at a more even rate during the fiscal year.

The State Constitution requires the State to pay notes issued in anticipation of taxes and revenues within one year of the date of issue. In 1976, the Court of Appeals (the State's highest court) said that the State has the power to issue such notes only if it is reasonably anticipated at the time of such issuance that the State will have sufficient taxes and revenues, based on authentic estimates, to pay such notes within one year of issuance without creating, directly or indirectly, a budget deficit in the year of repayment.

A taxpayer has commenced an action against the State claiming, in part, that the State issued certain tax and revenue anticipation notes during the State's 1977 fiscal year in anticipation of a deficit for such fiscal year. On February 17, 1977, the trial court granted a motion by the State for summary judgment and declared such notes to be validly issued State obligations. The trial court said that, despite the deficit then projected for the State's 1977 fiscal year, it could not reasonably determine, upon the proof submitted, that such notes were not originally issued in reasonable anticipation of receipt of taxes and revenues sufficient to balance the budget for the State's 1977 fiscal year. On March 18, 1977, an intermediate appellate court affirmed the trial court's decision by a vote of three to two. It is expected that an appeal to the Court of Appeals from this decision will be argued on or about March 22, 1977. The Court of Appeals' decision could have an important impact on the ability of the State to complete the seasonal borrowing. Failure to complete the seasonal borrowing could adversely affect the ability of the City to implement a plan to pay the City Notes in full within such time periods as required by the Courts. In addition, if this litigation is decided adversely to the State, the State may be unable to issue tax and revenue anticipation notes to finance a deficit, should one occur, in its 1978 fiscal year, thereby diminishing the State's financial options.

The State expects all of the projected $750 million of nonseasonal borrowing for its 1978 fiscal year to be provided from sales of bonds and notes to the public. To the extent the State's nonseasonal borrowing needs cannot be met from public sales, certain State sources have agreed to purchase the remaining bonds and bond anticipation notes.
from time to time and may make further material modifications, subject to the approval of the Control Board. (As used herein, the term "City Plan" includes, with respect to the 1977 fiscal year, the financial plan as modified by the City and approved by the Control Board as of the date hereof and, with respect to the 1978 fiscal year, the City's program to balance its Expense Budget in such fiscal year as revised by the City in January 1977, and submitted to, but not yet approved by, the Control Board.)

The City's ability to achieve the objectives of the City Plan, which require implementation of economies of more than $1 billion between October 1975 and July 1977, may be affected by or depend upon actions of the State and the United States, and other factors over which the City may not have or exercise control.

Both the Executive Director of the Control Board and the Special Deputy State Comptroller have issued reports concerning the City's program to balance its Expense Budget for the 1978 fiscal year. The reports indicated that the City's estimate of increased economies necessary to balance the budget in the 1978 fiscal year could not be comprehensively reviewed by the Control Board or the Office of the Special Deputy State Comptroller at the present time and requested the data necessary to make such review. In addition, both reports noted that a substantial portion of the City's program involves expenditure reductions or revenue increases that require action or approval by other levels of government or other entities. The Executive Director recommended that the City furnish data to enable the Control Board to determine the extent of savings realized during the City's 1977 fiscal year by virtue of lower than projected levels of spending by the City. The Special Deputy State Comptroller, on the other hand, suggested that additional contingencies may occur which could increase the amount of economies required to balance the Expense Budget for the 1978 fiscal year from the $588-725 million estimated by the City to $661-1,075 million. The reports recommended that the City establish an implementation schedule, with alternative programs to substitute for expenditure reductions or revenue increases that are not realized on schedule. The City has taken issue with the recommendations in the reports and these matters are presently under discussion.

**Certain Assumptions**

The City Plan is based on a large number of assumptions, many of which have yet to be realized. To the extent that such assumptions are not realized, the City Plan may require further modification to achieve its objectives. Among the most significant of the City Plan assumptions stated by the City are the following:

1. The City Plan assumes that the City will develop and be able to implement expenditure reductions and revenue increases sufficient to achieve the projected deficit in the 1977 fiscal year and a balanced Expense Budget in the 1978 fiscal year. The City Plan assumes annualized economies consisting of expenditure reductions and revenue increases of $379 million for the 1977 fiscal year. For the 1978 fiscal year, the City Plan assumes a need for expenditure reductions and revenue increases of at least $586 million. In its January 1977 submission to the Control Board, the City acknowledged the possibility of certain expenditure increases in the areas of public assistance, medicaid and utility costs for the 1978 fiscal year. If all of these contingencies occur, the City projects that economies of up to $725 million for the 1978 fiscal year will be required. The City has advanced proposals to effect such economies which it estimates would yield $777-902 million if fully implemented.

2. Certain assumptions, including assumptions with respect to the local and national economy, form the basis of estimates of expenditures and revenues contained in the City Plan. The City assumes a stabilizing trend in the local economy with some growth in revenues. From these basic estimates of revenues and expenditures, the City determines the amount of economies which it projects are needed to achieve a balanced Expense Budget in the 1978 fiscal year.
3. The City Plan assumes that the City will achieve certain economies with respect to matters which may be subject to collective bargaining or require employee cooperation.

4. The City Plan assumes that certain public authorities or corporations which receive funds from the City will not require funds in excess of aggregate amounts provided for such purposes in the City Plan. The City anticipates that it will be required to fund a material part of a projected deficit of $40-46 million for the Health and Hospitals Corporation for the 1977 fiscal year. However, the City has indicated that such funding is within the aggregate amounts available for such purpose in the City Plan by virtue of increases in revenues or savings in expenditures previously projected in such Plan. The City projects that the Health and Hospitals Corporation will have a material deficit for the 1978 fiscal year unless it implements substantial economies or obtains additional revenues. Historically, some material part of any deficits incurred by such public authorities or corporations, to the extent they are not eliminated by economies implemented by such authorities or corporations or funded by State or Federal programs, have been financed by the City. If any such financing is required for the 1978 fiscal year, material revisions may be required to be made to the City Plan to reflect such financing.

5. The City Plan assumes a reduction in the level of City support for the City University of New York senior colleges and an increase in the level of State support for them.

6. The City Plan assumes favorable determinations in certain lawsuits pending against the City and the Corporation, particularly those suits challenging the wage freeze enacted as part of the Emergency Act and lawsuits seeking to rescind past purchases and to enjoin future purchases of securities of the City or the Corporation by certain Pension Funds. The City Plan makes no provision for any adverse budgetary impact as a result of the invalidity of the Moratorium Act. The City has projected that implementation of the Note Repayment Plan would have a minimal effect on the Expense Budget and that other notes of the City, currently held by the Clearing House Banks, the Pension Funds and the Corporation, would not be payable during the 1977 or 1978 fiscal years.

7. The City Plan for the 1978 fiscal year assumes an increase in City revenues resulting from a reduction in the Corporation’s debt service funding requirements due to a voluntary deferral by the Clearing House Banks, the Pension Funds and City Sinking Funds of the maturity dates of certain of the Corporation’s outstanding securities. City officials and union leaders have expressed a willingness to recommend a deferral to the trustees of the Pension Funds. City officials have indicated a willingness to accept a deferral for the City Sinking Funds. The Clearing House Banks have not agreed to date to any deferral and union representatives have indicated that the extent of the deferral that they are willing to recommend for the period subsequent to the 1978 fiscal year may be affected by the position of the Clearing House Banks in this matter. The City Plan also assumes a certain amount of revenues from real property taxes. The City has reported that the realization of such amount is subject to the resolution of certain legal and policy questions, and would require an increase of not more than 3% of the present real property tax rate of $8.795 per $100 of assessed value.

8. The City Plan assumes the Plan will not be adversely affected by the State’s budget for the 1978 fiscal year, and the recently proposed Governor’s Executive Budget for the State’s 1978 fiscal year assumes that certain reductions in the level of State assistance to the City will be offset by reductions in costs to the City of State-mandated programs. However, the City reported in January 1977 that the proposed State budget would, if adopted without modification, produce $76 million of savings to the City, but would impose additional costs of $198 million to the City, and an additional cost of $41.68 million to certain of the public authorities or corporations referred to above under Item 4.
9. The City Plan assumes that certain actions will be taken by the Federal government which will have a positive effect on the City's finances.

10. The City Plan assumes that the City's pension expenses will be accounted for on a cash basis. Pursuant to State law, the City makes an annual contribution to the Pension Funds in an amount determined by the City Actuary and based on the City's payroll for the second preceding year. The State Comptroller's Office has issued an Accounting Systems Directive, pursuant to which the City is required to reflect pension expenses on an accrual, rather than a cash basis for accounting purposes. If the City is required to include pension costs in its Expense Budget on an accrual basis, the City has informed the Corporation that a material increase would be required in the provision for such costs in the City Plan for the 1978 fiscal year but that there would be no increase in the amount of cash contributed by the City to the Pension Funds during such fiscal year.

The City is also required over a ten-year period to eliminate from its Capital Budget those expense items properly included only in its Expense Budget. While the City previously reported the total of such expense items to have amounted to $654 million in the Capital Budget for the 1976 fiscal year, it has informed the Corporation that this estimate will have to be increased materially as a result of the issuance of an Accounting Systems Directive by the State Comptroller subsequent to the previous estimate under which certain items previously considered by the City to be capital assets are classified as expense items. Nevertheless, the City projects that it will meet or exceed the statutory schedule for eliminating such items from its Capital Budget in the 1977 fiscal year.

Actions Taken to Date

The City has reported that certain actions providing for reductions in expenditures and increases in revenues have been implemented since the commencement of the 1976 fiscal year. Among the most significant of these actions are the following:

1. In reporting the operating results of the City for the 1976 fiscal year, the City Comptroller reported an actual Expense Budget deficit of $968 million, which is $83 million less than the deficit projected in the City Plan. The City's current forecast of a $606 million deficit for the 1977 fiscal year is $362 million lower than the reported deficit for the 1976 fiscal year and $80 million lower than the deficit previously projected for the 1977 fiscal year in the City Plan. The $606 million deficit now forecast for the 1977 fiscal year includes a general reserve of $168 million, an increase of $68 million during the fiscal year. The City has stated that it will implement measures by July 1, 1977 necessary to achieve a balanced Expense Budget for the 1978 fiscal year.

2. The City Comptroller has reported a reduction of 48,843 in the number of City employees, from 260,853 on June 30, 1975 to 218,010 on January 31, 1977. These figures exclude the Health and Hospitals Corporation and the Transit Authority, each of which has also reported a decrease in employees.

3. The City and substantially all of the municipal labor unions with which the City bargains directly have entered into memoranda of interim understanding which are consistent with the assumptions contained in the City Plan and with the wage guidelines adopted by the Control Board. Several of such memoranda have been reduced to contract and approved by the City and ratified by such unions, but have not yet been finally approved by the Control Board.

4. The State has enacted legislation under which it will assume the costs of certain court functions currently funded by the City by the end of the 1980 fiscal year.
5. The Transit Authority increased its fares from $.35 to $.50.

6. The City University of New York imposed a general tuition fee for the first time in its history and the State has increased its support for the senior colleges of the City University of New York.

7. In the Fall of 1975, the State enacted tax legislation designed to provide approximately $500 million of additional revenues for the City over the period covered by the City Plan. Such tax legislation included an estate tax surcharge and a tax on transfers of bonds, each of which has been subsequently repealed. The City Plan takes into account the City’s estimate of the approximately $46 million shortfall in revenues projected to result from such repeal in the 1978 fiscal year.

8. Certain changes have been made with respect to the personnel who are responsible for the financial operations of the City. The positions of Deputy Mayor for Finance, Deputy Mayor for Economic Development and Director of Operations have been created and a new First Deputy Mayor and a new Budget Director have been appointed by the Mayor. Certain of such positions have been filled by persons recruited by the City from private industry and other levels of government.

9. Pursuant to the Act, the State Comptroller, after consultation with the City, has issued Accounting Systems Directives to establish accounting principles for the City. The State Comptroller’s Office has reported that these Directives provide a sound basis for accounting, budgeting and financial reporting for the City which will permit the preparation of meaningful financial statements in accordance with generally accepted accounting principles, and will allow for an independent audit. The State Comptroller’s Office has further reported that the City has taken positive steps to incorporate such accounting principles into the integrated financial management system (“IFMS”) which it is designing and implementing, but that such incorporation is not yet complete. The City’s target date for implementing most features of IFMS is July 1, 1977, and the City reports that implementation is currently on schedule. However, because IFMS is a systems project of substantial magnitude and complexity, there can be no assurance that all elements of IFMS will be fully operative at that date.

10. In fulfilling its obligations to the Secretary of the Treasury, the Control Board and the Corporation, the City has issued monthly reports which set forth actual expenditures and revenues, and sources and uses of cash, as compared with projections therefor in the City Plan, and a forecast of such revenues, expenditures and sources and uses of cash for the remainder of the period covered by the City Plan.

Cash Sources

To provide the cash necessary to cover deficits and fund capital improvements through the 1978 fiscal year and to meet seasonal financing requirements as well as other cash needs of the City, the City has prepared cash flow projections which identify the following cash sources:

1. Pursuant to the Amended and Restated Agreement, the Pension Funds agreed to purchase an aggregate of $2.5 billion of bonds of the City or the Corporation through the 1978 fiscal year. The Pension Funds have also agreed to apply all principal amortization payments received prior to June 30, 1978 on bonds purchased pursuant to the Amended and Restated Agreement to purchase additional bonds. As of February 28, 1977, $1,005 million in the aggregate of City
bonds has been purchased pursuant to such Agreement. In the course of collective bargaining negotiations from time to time over the past year, certain municipal union leaders have stated that they may request that the Pension Funds refuse to make any further purchases of such bonds. In addition, the union leaders had indicated that the Pension Funds would refuse to invest in City securities until an acceptable plan to repay the City Notes was proposed. Since the proposal of the Note Payment Plan described above under “Rights of the Noteholders — Plan to Finance Repayment”, the union leaders have indicated that the Pension Funds will continue investing in City securities.

2. Pursuant to Federal legislation, a Credit Agreement among the City, the State, the Control Board and the Federal government, dated December 30, 1973, authorizes the Secretary of the Treasury to lend the City up to $2.3 billion at any given time in the City’s 1977 and 1978 fiscal years. Such amounts are payable on demand, and in any event, by the expiration of the fiscal year of the City in which the amounts are borrowed. There are several conditions to the making of any Federal loan, including the condition that the Secretary of the Treasury determine that there is a reasonable prospect of repayment in accordance with the terms of the loan. In the City’s 1978 fiscal year, the City borrowed $1.26 billion under the Credit Agreement, which amount was repaid in full on or prior to June 30, 1978. As of February 28, 1977, $1.845 billion in loans pursuant to the Credit Agreement were outstanding, out of a projected total borrowing of $2.1 billion for the 1977 fiscal year. The Secretary of the Treasury had refused to lend additional funds to the City until an acceptable plan to repay the City Notes had been proposed. Since the proposal of the Note Repayment Plan, the City requested and the Secretary of the Treasury approved and made a loan of $255 million.

3. In the last quarter of the City’s 1976 fiscal year, the State advanced $500 million of education, public assistance and other aid funds to the City which would otherwise have been paid in the City’s 1977 fiscal year. The City has repaid such advance. There is no assurance that the State can or will renew such advance in the future although the City Plan assumes that such advances will be made in the City’s 1977 and 1978 fiscal years. The State has committed $500 million out of the proceeds of its seasonal borrowing referred to under “Certain Developments Affecting the State” for the renewal of such advances in the City’s 1977 fiscal year.

4. Because implementation of the Note Repayment Plan is expected substantially to exhaust the City’s projected closing cash balance on June 30, 1978, further issuance of obligations of the City or the Corporation in the latter half of the 1978 fiscal year may become necessary to provide the City with needed cash resources, see “Rights of Noteholders — Plan to Provide for Repayment.”

Expiration of Plan

The City Plan currently covers the three fiscal years of the City ending with the 1978 fiscal year. Thereafter, the City will face a number of substantial liabilities and at present has no arrangements to meet them. Many collective bargaining agreements between the City and its employees will expire at the end of the 1978 fiscal year, wage increases deferred during the period of the wage freeze which is scheduled to end upon the expiration of the “emergency period” (as defined below under “Various Control Programs — Control Board”) may come due and a substantial increase in contributions to the City’s Pension Funds, which has been recommended by, among others, the Mayor’s Management Advisory Board, may be required. Certain revenues contained in the City Plan for the 1978 fiscal year will not recur in subsequent fiscal years.

The cash sources referred to above are projected to supply the City with cash only through the 1978 fiscal year. None of these cash sources provides for any cash after the conclusion of such
fiscal year and extensions of the arrangements for such sources will have to be made or alternative sources will have to be found to meet the cash needs of the City after such fiscal year. An additional source of cash to meet such needs after such fiscal year may be the issuance of bonds of the City. As discussed above under “Rights of the Noteholders — Plan to Provide for Repayment”, participants in the discussions and negotiations with respect to the payment of the City Notes have not agreed on the conditions with respect to a new issuance of City bonds. There is no assurance that the City will be able to issue such bonds to provide the cash for such needs immediately following the expiration of the City Plan. In addition, to the extent that provision for payment of the notes of the City held by the Clearing House Banks and the Pension Funds has not been made, such notes will remain an additional liability after the expiration of the City Plan. If the Note Repayment Plan is successfully implemented, however, a substantial future liability previously anticipated and not provided for will have been discharged.

Many of the long-range financial and economic problems potentially facing the State will face the City as well through the City’s 1978 fiscal year and thereafter. For a discussion of such problems, see “Certain Developments Affecting the State — Longer-Range Trends.”

Federal Bankruptcy and State Stay Legislation

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

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

Title 6-A of the Local Finance Law (“Title 6-A”), like Chapter IX, permits adjustment or modification of City obligations if the City is unable to pay its debt or obligations as they mature. Title 6-A permits the City or the Control Board to file a petition in State court which would operate to stay any action to enforce any City obligation for at least 90 days and to file with the court a repayment plan. The Court may approve such repayment plan if it meets certain standards, including providing for repayment to creditors “on a fair and equitable basis, as is practicable in the circumstances.” Creditors who do not accept such repayment plan will not be bound by its terms. The validity of Title 6-A is currently being litigated, see “Litigation — Revenues of the Corporation.”

The filing of such a Chapter IX or Title 6-A petition would cause a failure of a condition to the obligation of the City pension funds to purchase bonds of the City or the Corporation and could cause the Secretary of the Treasury to refuse to make any additional loans and to demand payment of outstanding loans to the City under the Credit Agreement.

Although the filing of either such petition might have a general adverse effect on the economic health of the City, the Corporation believes that such a filing would not have a material adverse effect on the available revenues of the Corporation, and would therefore not affect the Corporation’s ability to repay its obligations, including the 1977 Series 7 Bonds. The filing of such a petition, like other financial developments with respect to the City, might affect the market for or market price of the 1977 Series 7 Bonds.
MANAGEMENT

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

The Act provides that no director (and no Representative) may be an officer or employee of the Federal government or of the State or 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 (one vacancy currently exists on the Board):

<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>George M. Brooker (1)</td>
<td>December 31, 1977</td>
</tr>
<tr>
<td>Thomas A. Coleman (1)</td>
<td>December 31, 1980</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>Robert C. Weaver</td>
<td>December 31, 1980</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Representatives (2)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Zane Klein</td>
<td>Appointed by the City Board of Estimate</td>
</tr>
<tr>
<td>Edward M. Kresky</td>
<td>Appointed by the President Pro-Tem of the State Senate</td>
</tr>
<tr>
<td>Lawrence Marchini</td>
<td>Appointed by the Minority Leader of the State Assembly</td>
</tr>
<tr>
<td>Leonard Nadel</td>
<td>Appointed by the Speaker of the State Assembly</td>
</tr>
<tr>
<td>Nicholas L. Pitaro</td>
<td>Appointed by the Vice-Chairman of the City Council</td>
</tr>
<tr>
<td>Robert W. Seavey</td>
<td>Appointed by the Minority Leader of the State Senate</td>
</tr>
<tr>
<td>Sanford I. Weill</td>
<td>Designated representative of the State Comptroller</td>
</tr>
</tbody>
</table>

In addition, Eugene Keilin 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 a member of 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 the Chairman of the New York City Council on Port Promotion and Development, of which he has been a member since 1962. From 1967 to date, he has served as an arbitrator for the United Marine Division of Local 333 I.L.A. of the AFL-CIO. He is a member of the Advisory Committee to the New York City Convention and Exhibition Corporation. Mr. Barry, 68, is a resident of New York City.

GEORGE M. BROOKER. Mr. Brooker has been a principal stockholder and Secretary-Treasurer of Webb & Brooker, Inc., a real estate management and brokerage firm, since 1969. He is Chairman of the Board of Directors of the New York Urban League. He is a director of the DuBois Memorial Foundation, a member of the Board of Governors of the Real Estate Board of New York and the Realty Advisory Board of New York. He is also a member of the Board of Governors of the Carver Democratic Club of New York City. He is a member of the Management Council, National Center Housing Management of Washington, D.C. Mr. Brooker, 59, is a resident of New York City.

THOMAS A. COLEMAN. Mr. Coleman is a Senior Partner of Adler, Coleman & Co. and a member of the New York Stock Exchange, Inc. He is a member of the Board of Directors of the New York Stock Exchange. He is Vice-Chairman of the Board of Trustees of the New York Fire Department, Honor Emergency Fund and serves as a Trustee of St. Vincent’s Hospital and Medical Center of New York City. He is also a Trustee of St. Patrick’s Cathedral of New York City. He is a member of the Temporary Commission on City Finances. Mr. Coleman, 41, 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 1963, 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, 64, is a resident of Sands Point, Long Island.

GEORGE D. GOULD. Mr. Gould is President and Chief Executive Officer of The Madison Fund, Inc., a closed-end investment company. Until 1976, Mr. Gould was Vice-Chairman of the Board of Directors of Donaldson, Lufkin & Jenrette, Inc., and Chairman of the Board of Directors and Chief Executive Officer of Donaldson, Lufkin & Jenrette Securities Corporation, a member of the New York Stock Exchange, Inc. He is also a Director of First National Stores, Inc., and International Controls Corporation. In addition, Mr. Gould is Chairman of the following State agencies: Housing Finance Agency, Medical Care Facilities Agency, Project Finance Agency, Municipal Bond Bank Agency and is a director of the State Mortgage Agency. Mr. Gould, 49, is a resident of New York City.

DICK NETZER. Mr. Netzer has been Dean of the Graduate School of Public Administration of New York University since 1969. From 1964 through 1966, he was research director of the Temporary Commission on City Finances. He is a nationally recognized expert in the areas of state and local government finance and urban economics and he has published extensively in each of those areas. Mr. Netzer, 48, is a resident of New York City.
ROBERT C. WEAVER. Dr. Weaver has been Distinguished Professor of Urban Affairs at Hunter College since 1970. From 1966 through 1968, he was Secretary of the United States Department of Housing and Urban Development and from 1968 through 1970 was President of Bernard M. Baruch College. He is a trustee of the Metropolitan Life Insurance Co. and The Bowery Savings Bank, and is a former Chairman of the National Association for the Advancement of Colored People. Dr. Weaver, 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, 40, is a resident of New York City.

EDWARD M. KRESKY, Representative. Mr. Kresky is a General Partner of Wertheim & Co., investment bankers. He has been with Wertheim since 1971. From 1965 through 1971, he served as Secretary to the Metropolitan Transportation Authority of New York State. He is a member of the Boards of Security Mutual Life Insurance Company of New York and the New York State Council on the Arts and of the Council of the National Municipal League. In 1974 he was a member of the Governor's Task Force on Financing Higher Education in New York State. Mr. Kresky serves as an observer to the Control Board. Mr. Kresky, 52, is a resident of New York City.

LAWRENCE MARCHINI, Representative. Mr. Marchini is President of the Century National Bank in New York City, and has held that position since 1964. In addition, he served as a Commissioner of the State Insurance Fund of the State of New York from 1967 to 1977. Mr. Marchini, 63, is a resident of Manhasset, Long Island.

LEONARD NADEL, Representative. Mr. Nadel is Senior Vice President of Abraham & Straus, a division of Federated Department Stores, Inc. He is Chairman of the Board of Trustees of Adelphi University, an Associate Trustee of Long Island Jewish Medical Center, Vice-Chairman and a director of the Downtown Brooklyn Chamber of Commerce. Mr. Nadel, 55, 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, 56, is a resident of New York City.

ROBERT W. SEAVEY, Representative. Mr. Seavey is President of Neighborhood Developers, Inc., a real estate development and construction firm. He is a member of the law firm of Seavey, Fingerit & Vogel, New York, New York, a director of the Citizens' Housing and Planning Council of New York and a member of the Committee on Housing and Urban Development of the Association of the Bar of The City of New York. Mr. Seavey, 49, 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. He is a member of the New York Society of Security Analysts, Midwest Stock
Exchange, Chicago Board of Trade and Young Presidents Organization, Inc. In January 1976, he was appointed by the Governor of New York to the Securities Industry Task Force. He is a member of the President's Council of Brandeis University. Mr. Weill, 43, is a resident of New York City.

EUGENE KEILIN, Executive Director. Mr. Keilin was employed by New York City from 1971 until he became Executive Director of the Corporation on October 1, 1976. From 1973 to 1975 he served as General Counsel of the City's Office of Management and Budget and from 1975 to October 1976 he was counsel to New York City's first Deputy Mayor for Finance. Prior to his employment by the City, Mr. Keilin was associated with the New York law firm of Sage, Gray, Todd & Sims. Mr. Keilin, 34, is a resident of New York City.

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

Moratorium

For a discussion of certain decisions pertaining to the Moratorium Act see “Rights of the Noteholders—Rights Under The Moratorium Decision.”

Revenues of the Corporation

On January 24, 1977, an individual commenced an action in the State Supreme Court against the Corporation, the City, the State Tax Commission, and the Comptroller of the State of New York. The suit seeks a declaratory judgment that sections of the Tax Law and Finance Law enacted as part of the Act violate Article 8, Section 2 of the State Constitution, Article 1, Section 10 of the Federal Constitution, the due process and equal protection clauses of the Fourteenth Amendment of the Federal Constitution, and the equal protection guarantee of Article 1, Section 11 of the State Constitution, by allegedly depriving holders of City bonds of amounts to be received by the Corporation from the Sales Tax and the Stock Transfer Tax, which the plaintiff alleges would otherwise have constituted revenues of the City pledged for the payment of principal of and interest on such City bonds.

On February 2, 1977, a motion for summary judgment made by the Corporation and joined in by the City, the State Comptroller and the State Tax Commission was granted by the State Supreme Court. Plaintiff has appealed this judgment to the State Court of Appeals and a hearing is scheduled for March 31, 1977.
On January 20, 1977, two individuals commenced an action in the State Supreme Court against the Corporation and the City, seeking relief similar to that sought in the above mentioned action and, in addition, alleging that the Act is unconstitutional under Article 1, Section 10 of the Federal Constitution, in that it allegedly authorizes the City to deviate from an alleged obligation to bondholders to maintain a balanced budget. A motion for summary judgment made by the Corporation was granted on March 15, 1977. Plaintiff has appealed this judgment to the State Court of Appeals and a hearing is scheduled for March 31, 1977, together with the case referred to above.

Because plaintiffs' actions described above raise questions under the Federal Constitution, plaintiffs may appeal any adverse decisions in the State Court of Appeals to the United States Supreme Court.

Bond counsel has given its opinion to the Corporation that in a suit brought by any holder of bonds or notes of the City, asserting a right to the Sales Tax or the Stock Transfer Tax superior or equal to the rights of holders of bonds of the Corporation, including the Bonds, such holder will not prevail in the court of final jurisdiction.

City Pension Funds' Investment in Securities of the Corporation

In October 1976, three retired teachers, purporting to sue on behalf of a class of all persons receiving a retirement allowance from the New York City Teachers' Retirement System, brought an action in the United States District Court for the Southern District of New York against the Teachers' Retirement System and each of its members, seeking, among other things, to enjoin further investments by the Teachers' Retirement System in obligations of the City, and to recover damages for any losses sustained by plaintiffs and members of their class. On December 22, 1976, the Court denied a motion made by plaintiffs for a preliminary injunction. Trial of the action is scheduled for May.

For discussions of certain other litigations which may affect the Corporation, see "Certain Developments Affecting the State" and "Certain Developments Affecting the City."

VARIOUS CONTROL PROGRAMS

Conditions to Payments by the Corporation

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

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

(i) The City has informed the Corporation that the City has 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 provided to the Corporation for the City's 1978 fiscal year and for each subsequent fiscal year can be prepared in accordance with such accounting method. The City is also required over a ten
year period to eliminate from its Capital Budget those expenses properly includable only in its Expense Budget under such accounting method. See “Certain Developments Affecting the City — Certain Assumptions” for a discussion of the City’s actions to eliminate such expense items from the Capital Budget.

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

(iii) The amount of short-term debt which the City may have outstanding is subject to certain limitations. The sum of the aggregate principal amounts of the City’s outstanding short-term obligations (excluding those held by the Corporation) and the aggregate principal amount of all notes and bonds issued by the Corporation (less any notes or bonds of the Corporation which have been refunded or renewed) may not exceed 130% of the “Base Debt Limit” of $8.1 billion during the current fiscal year, with such limit decreasing in 5% annual increments to 110% for the 1980-81 fiscal year and each fiscal year thereafter. In addition, any excess of this sum over $5 billion must consist solely of bond anticipation notes or short-term obligations of the City issued and payable within the same fiscal year. The Corporation is authorized to police these limits by making an advance determination as to whether a proposed issuance of short-term obligations by the City violates the debt limits and by reporting any adverse determination to the City Comptroller, who is then prohibited from issuing such obligations.

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

Powers of the Corporation

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

The Corporation may pay to the City, directly or through the purchase of City obligations with maturities not longer than 15 years, part or all of the amounts certified by the Mayor to be required to pay either (i) principal and interest on short-term City obligations at maturity or (ii) certain operating expenses of the City. Amounts received pursuant to (i) must be held in trust by the City for such purpose. Amounts received pursuant to (ii) must be used to pay such expenses, and must be evidenced by City obligations not exceeding $1.925 billion in aggregate principal amount outstanding (with no more than $900 million payable in other than the fiscal year of issuance, and the balance payable within such fiscal year). The Corporation’s advances for City operating expenses to the date hereof aggregated $1,793,770,158.

The Corporation is further empowered to exchange its bonds or notes for short-term obligations of the City provided that the Board of Directors of the Corporation finds that such exchange will not prejudice the rights of holders of other City bonds and notes. The Corporation may deliver such short-term obligations (other than bond anticipation notes, which must be refunded, renewed, or repaid to the Corporation) to the City for cancellation. As of the date hereof, the Corporation has issued $616.35 million aggregate principal amount of Second Resolution Bonds in exchange for an equal principal amount of outstanding short-term obligations of the City.
Control Board

The members of the Control Board created pursuant to the Emergency Act (see ‘Certain Developments Affecting the City’) consist of the Governor and Comptroller of the State, the Mayor and Comptroller of the City, and Felix G. Rohatyn (current Chairman of the Corporation) and David I. Margolis, the latter two being appointees of the Governor. In addition, one position on the Control Board is currently vacant. The Governor is empowered to fill such vacancy. Sidney Schwartz has been appointed Special Deputy State Comptroller to assist the Control Board in carrying out its functions and Stephen Berger has been appointed Executive Director of the Control Board.

As required by the Emergency Act, the financial plan referred to above under “Certain Factors Affecting the City” and, which is intended to bring the City Expense Budget into balance by June 30, 1978 has been approved by the Control Board. If the Control Board determines that increased revenues are available in an amount equal to a requested increase in expenditures, the Control Board may, upon the request of the City, allow an increase in the Expense Budget of the City or of “covered organizations” (defined in the Emergency Act as including certain public authorities and corporations which receive funds from the City) for any fiscal year (which increase may be cumulative) equal to two percent of the Expense Budget for the 1976 fiscal year, or such further increases as may be required to meet the impact of substantial inflation. The period covered by such financial plan may be extended by the Control Board.

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

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

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

Credit Agreement

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

Before making any loan to the City under the Credit Agreement, the Secretary of the Treasury of the United States (the “Secretary”) must have received a borrowing and payment schedule prepared by the City and approved by the Control Board setting forth expected receipts and expenditures of the City from the date of the loan to the end of the next succeeding fiscal year, together with the sources, amounts and dates of anticipated receipt of revenue available for repayment of the loan. The Secretary must further determine that there is a reasonable prospect of repayment of the loan in accordance with its terms and conditions.

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

Until all loans have been repaid and until June 30, 1978, the City and the Control Board must notify the Secretary of any modifications, changes or amendments to the financial plan.

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

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

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 pro-
visions 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.

* No such Outstanding Notes are presently outstanding.
"State Aid Fund" shall mean the Municipal Assistance State Aid Fund established pursuant to Section 92-c 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)(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.

(Resolution, Section 202)

The Pledge Effectuated 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 moneys which may be made available to the Corporation for the purposes of the Capital Reserve Fund from any other source or sources.

2. Moneys and securities held for the credit of the Capital Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the 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 a copy to the Trustee a schedule setting forth the cash requirements of the Corporation for such Fiscal Year and the time or times when such cash is required, which certification shall be revised from time to time as required. The total amount so certified by such Chairman for such Fiscal Year shall be equal to: (i) the amounts which are required to be deposited in the Capital Reserve Fund during such Fiscal Year in order to maintain the Capital Reserve Fund at the Capital Reserve Fund Requirement; (ii) the amounts required to be deposited in the 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 purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution and all corporate action on the part of the Corporation to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of the Resolution. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons 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 Section 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 the 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 the 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 fail 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 fail 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 paragraphs (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 moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(Resolution, Section 1203)

Priority of Payments After Default

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

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

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

Second: to the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.
(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over 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 therein contained; to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution; to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution of the Revenues, or of any other moneys, securities or funds; to modify any of the provisions of the Resolution or any previously adopted Series Resolution in any other respects, provided that such modification shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution 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 Resolutions as theretofore in effect.

(Resolution, Section 1001)

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

(Resolution, Section 1101)

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

(Resolution, Section 1103)

Investment of Funds

1. Moneys in the 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 moneys; and provided further, that all moneys 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)
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 the covenants, agreements and other obligations of the Corporation to the Bondholders shall be discharged and satisfied.

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

LEGAL INVESTMENT

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

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." In the performance of its duties, the Trustee is entitled to indemnification for any act which would involve it in expense or liability and will not be liable as a result of any action taken in connection with the performance of its duties except for its own negligence or default. The Trustee is protected in acting upon any direction or document believed by it to be genuine and to be signed by the proper party or parties or upon the opinion or advice of counsel. The Trustee may resign at any time upon 60 days' written notice to the Corporation and publication thereof. Any such resignation shall take effect on the day specified in the notice, but in the event that a successor has been appointed, the resignation shall take effect immediately. As of the date hereof, United States Trust Company of New York (the "Trust Company"), which is a New York Clearing House Bank, owned $3,540,000 of notes of the City and $6,133,000 of First Resolution Bonds. 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.

FINANCIAL STATEMENTS AND SUBSEQUENT EVENTS

The audited financial statements of the Corporation as at June 30, 1978 and the accompanying report thereon by Price Waterhouse & Co., the Corporation's independent accountants, and unaudited financial statements and related notes, as at December 31, 1976 are annexed hereto. The following transactions, which have taken place subsequent to December 31, 1976, are not reflected in such financial statements.

In January 1977, the Corporation purchased approximately $1.7 million aggregate principal amount of Bonds in the open market at prices of $88% or less per $100 of principal amount, plus
accrued interest to January 2, 1977. Such Bonds were cancelled and the principal amount thereof was credited to the Corporation's sinking fund obligations with respect thereto.

On January 12, 1977, approximately $114 million was received by the Corporation from the Special Tax Account pursuant to the Certification of the Chairman to the State Comptroller and the Mayor. Of such amount $89 million was deposited in the debt service fund for the payment of principal of and interest on First Resolution Bonds and $25.2 million was deposited in the subordinated promissory note account. In addition, $4 million of monies previously certified for operating expenses was transferred to such debt service fund.

On February 1, 1977, principal of $191.2 million and interest of $109.4 million were paid to holders of First Resolution Bonds.

On February 15, 1977, the Corporation paid to certain City Sinking Funds $25.2 million in full payment of the principal of and interest on the Corporation's $23.5 million principal amount subordinated promissory notes due February 15, 1977 held by such Sinking Funds.

LEGAL OPINIONS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by its General Counsel, Paul, Weiss, Rifkind, Wharton & Garrison, New York, New York. The approving opinion of Bond Counsel to the Corporation will be in substantially the form attached to this Official Statement as Exhibit B. 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, N. Y., is acting without compensation as financial advisor to the Corporation. Felix G. Rohatyn, Chairman of the Corporation, is a General Partner of such firm.

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

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

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

By Felix G. Rohatyn, Chairman

67
REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying Statement of Financial Position of Municipal Assistance Corporation For The City of New York at June 30, 1976 and the related Debt Service Fund, Capital Reserve Fund and Operating Fund Statements of Transactions present fairly the financial position of Municipal Assistance Corporation For The City of New York at June 30, 1976 and the Debt Service Fund, Capital Reserve Fund and Operating Fund transactions for the period then ended in conformity with generally accepted accounting principles. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including at June 30, 1976 confirmation of securities owned by correspondence with the Trustee.

PRICE WATERHOUSE & CO.

60 Broad Street
New York, New York
August 11, 1976, except as to Note 8,
which is as of March 18, 1977
# MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

## STATEMENT OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th></th>
<th>June 30, 1976 Debt Service Fund</th>
<th>December 31, 1976 (Unaudited) Debt Service Fund</th>
<th>Operating Fund (Note 7)</th>
<th>Operating Fund (Note 7)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First General Resolution Bonds</td>
<td>$3,078,685,000</td>
<td>$3,091,810,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second General Resolution Bonds</td>
<td>598,135,000</td>
<td>600,815,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promissory Notes</td>
<td>273,500,000</td>
<td>23,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total bonds and notes payable (Note 4, Exhibits 1, 2 and 3)</td>
<td>3,950,320,000</td>
<td>3,716,125,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest on bonds and notes payable</td>
<td>114,697,715</td>
<td>91,642,558</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vouchers payable</td>
<td></td>
<td>$ 1,462,287</td>
<td>$ 555,227</td>
<td></td>
</tr>
<tr>
<td>Advance under First Instance Appropriation</td>
<td>560,634</td>
<td>610,263</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses</td>
<td></td>
<td>1,044,642</td>
<td>1,531,694</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>4,065,017,715</td>
<td>3,067,563</td>
<td>3,807,767,558</td>
<td>2,697,186</td>
</tr>
</tbody>
</table>

| **Assets:**            |                                 |                                                 |                         |                         |
| Cash                  | 58,155                          | 8,894                                          | 147,924                 | 18,097                  |
| Investments in marketable securities, at cost not in excess of market value (Note 5) | 548,091,237 | 221,823,694                                   |                         |                         |
| Accrued interest on marketable securities | 4,669,044 | 4,048,360                                     |                         |                         |
| Capital Reserve Fund assets (Note 9) | 19,839,964 | 124,877,180                                   |                         |                         |
| Unexpended portion of allocated funds held by New York State | 3,389,750 |                         | 1,326,152               |                         |
| Total assets          | 572,658,400                     | 3,398,644                                      | 350,897,158             | 1,344,249               |
| Net funding requirements (Note 2) | $3,492,359,315 ($    331,081) | $3,456,870,400 ($ 1,352,937) |                         |                         |

F-2
MUNICIPAL ASSISTANCE CORPORATION  
FOR THE CITY OF NEW YORK  
DEBT SERVICE AND CAPITAL RESERVE FUND  
STATEMENT OF TRANSACTIONS

<table>
<thead>
<tr>
<th>Receipts:</th>
<th>For the Period from Inception on June 10, 1975 to June 30, 1976</th>
<th>For the six months ended December 31, 1976 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal amount of bonds and promissory notes issued</td>
<td>$3,975,320,000</td>
<td>$281,340,000</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of New York notes received in exchange for Second Resolution Bonds (Note 6)</td>
<td>598,135,000</td>
<td>18,215,000</td>
</tr>
<tr>
<td>First General Resolution Bonds refunded</td>
<td></td>
<td>250,000,000</td>
</tr>
<tr>
<td>Discount on bonds issued</td>
<td>24,183,236</td>
<td>6,250,000</td>
</tr>
<tr>
<td>Bonds issued for payment of interest</td>
<td></td>
<td>6,575,000</td>
</tr>
<tr>
<td>Net proceeds from issuance of bonds and notes</td>
<td>3,353,001,774</td>
<td></td>
</tr>
<tr>
<td>Sales Tax allocations received from the State of New York</td>
<td>644,123,011</td>
<td>90,129,097</td>
</tr>
<tr>
<td>New York</td>
<td></td>
<td>$102,912,256</td>
</tr>
<tr>
<td>Accrued interest received on issuance of bonds</td>
<td>6,379,764</td>
<td></td>
</tr>
<tr>
<td>Per Capita Aid received from the State of New York</td>
<td>62,210,494</td>
<td>$19,824,097</td>
</tr>
<tr>
<td>Interest received on obligations of The City of New York (Note 6)</td>
<td>35,512,522</td>
<td></td>
</tr>
<tr>
<td>Interest income from investments in marketable securities</td>
<td>10,314,239</td>
<td>9,363,294</td>
</tr>
<tr>
<td>Total receipts</td>
<td>4,111,542,104</td>
<td>21,246,960</td>
</tr>
</tbody>
</table>

| Expenditures:                                   |                                                               |                                                    |
| Disbursements to The City of New York from bond proceeds and interest received on obligations of The City of New York (Note 6) | 3,391,318,699 | |
| Debt Service:                                  |                                                               |                                                    |
| Principal repayment on Promissory Notes         | 25,000,000                                                   | 250,000,000                                       |
| Interest on First General Resolution Bonds      | 222,767,250                                                  | 109,498,506                                       |
| Interest on Second General Resolution Bonds     | 16,261,796                                                   | 24,488,068                                        |
| Interest on Promissory Notes                    | 17,534,083                                                   | 5,951,335                                         |
| Interest on short-term borrowing                | 539,555                                                      |                                                    |
| Principal amount of Second Resolution Bonds purchased and redeemed |                  | 15,555,000                                       |
| Less: Discount on purchase                     |                                                               | (2,237,217)                                      |
| Net cost of purchase                           |                                                               | 13,317,783                                        |
| Total debt service                             | 282,102,684                                                  | 403,235,692                                       |
| Total expenditures                             | 3,673,421,383                                                | 403,235,692                                       |
| Excess (deficiency) of receipts over expenditures for the period | 438,120,721       | 19,839,964                                       |
| Excess of receipts over expenditures at beginning of period | 438,120,721       | 19,839,964                                       |
| Excess of receipts over expenditures at end of period | 438,120,721       | 19,839,964                                       |
| Bonds and promissory notes payable             | 3,950,320,000                                               | 134,377,420                                       |
| Balance                                        | $3,512,199,279 ($19,839,964)                                 | $3,581,747,550 ($124,877,150)                    |
| Net funding requirement                        | $3,492,359,315                                              | $3,456,870,400                                   |

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

STATEMENT OF TRANSACTIONS
(Note 7)

<table>
<thead>
<tr>
<th></th>
<th>For the Period from Inception on June 10, 1975 to June 30, 1976</th>
<th>For the six months ended December 31, 1976 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Fund apportionment allocated from Municipal Assistance Tax Fund</td>
<td>$6,448,625</td>
<td>$750,000</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt issuance and service:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing and public notices</td>
<td>1,650,715</td>
<td>528,188</td>
</tr>
<tr>
<td>Legal services</td>
<td>2,868,459</td>
<td>569,926</td>
</tr>
<tr>
<td>Trustee and related services</td>
<td>495,849</td>
<td>277,598</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,015,023</td>
<td>1,375,712</td>
</tr>
<tr>
<td>Oversight functions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Special Deputy Comptroller (Note 9)</td>
<td>499,102</td>
<td>548,474</td>
</tr>
<tr>
<td>Emergency Financial Control Board (Note 9)</td>
<td>44,739</td>
<td>187,245</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>543,841</td>
<td>735,719</td>
</tr>
<tr>
<td>Administrative:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel services —</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>205,470</td>
<td>118,623</td>
</tr>
<tr>
<td>Legal services</td>
<td>28,125</td>
<td>—</td>
</tr>
<tr>
<td>Other personnel services</td>
<td>256,194</td>
<td>128,734</td>
</tr>
<tr>
<td>Office rental</td>
<td>15,349</td>
<td>30,713</td>
</tr>
<tr>
<td>General office expenses</td>
<td>26,625</td>
<td>7,175</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>13,543</td>
<td>1,031</td>
</tr>
<tr>
<td>Communications</td>
<td>11,935</td>
<td>16,879</td>
</tr>
<tr>
<td>Printing and public notices</td>
<td>1,639</td>
<td>21,432</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>559,880</td>
<td>322,587</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>6,117,744</td>
<td>2,434,018</td>
</tr>
<tr>
<td>Excess (deficiency) of receipts over expenditures for the period</td>
<td>331,081</td>
<td>(1,684,015)</td>
</tr>
<tr>
<td>Excess of receipts over expenditures at beginning of period</td>
<td>—</td>
<td>331,081</td>
</tr>
<tr>
<td>Excess (deficiency) of receipts over expenditures at end of period (Note 2)</td>
<td>$331,081</td>
<td>($1,352,937)</td>
</tr>
</tbody>
</table>

P-4
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS
(All data with respect to December 31, 1976 and the period then ended are unaudited)

Summary of Significant Accounting Policies:

The Debt Service Fund follows the modified accrual basis of accounting whereby receipts from tax allocations and interest on New York City obligations are recorded as received and disbursements to New York City are recorded as made. Interest income on investments and interest expense on the Corporation’s debt are recorded on an accrual basis. The Corporation’s debt is recorded at the principal amount of the obligations outstanding. Original issue discounts have been charged to the Debt Service Fund and become part of net funding requirements. Expenses of debt issuance are charged to the Operating Fund as incurred. Amounts required for the payment of debt service due on July 1 and January 1 are accounted for as if paid on June 30 or December 31, respectively, by which date such amounts are segregated by the Trustee for that purpose.

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

In the Statement of Financial Position, as described in Note 6, no recognition has been given to obligations of The City of New York held by the Corporation and interest on such obligations is credited to the Debt Service Fund only as received. The net funding requirements of the Corporation reported in the Statement of Financial Position do not include future interest requirements.

Note 1 — Organization and Functions of the Corporation:

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

Note 2 — 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 within the City, Stock Transfer Taxes and Per Capita Aid. Tax and Per Capita Aid amounts not allocated to the Corporation for its requirements are available to the City under the terms of the applicable statutes.

Debt service, for obligations issued under the First General Bond Resolution and Promissory Note Resolutions, 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 within the City and, if necessary, revenues collected from Stock Transfer Taxes after April 1, 1976. The net Sales and Stock Transfer Tax revenues which were collected by the State during the twelve months ended June 30, 1976 and December 31, 1976 amounted to $1,065 million and $1,127 million, respectively. Allocations to the
Corporation from the Municipal Assistance Tax Fund are to be made quarterly and at such other times as the Corporation requests. The expenses of the Operating Fund are also funded from this source. Total debt service to maturity, including future interest requirements, to be funded from these sources, aggregated $4,730 million for debt outstanding at June 30, 1976, and $4,608 million for debt outstanding at December 31, 1976.

Debt service, for obligations issued under the Second General Bond Resolution, is to be paid principally from funds allocated from the Special Account in the Municipal Assistance State Aid Fund, which is to contain Per Capita State Aid otherwise payable by the State to the City, after satisfaction of prior claims. Allocations to the Corporation from the Municipal Assistance State Aid Fund are to be made annually. Total Per Capita Aid paid into the Special Account on June 25, 1976 amounted to $434 million, of which $82 million was required by the Corporation and the remainder was made available to the City. Although Per Capita Aid may, under certain conditions, be subject to prior claims by other State or City agencies, at June 30, 1976 and December 31, 1976 no such prior claims had been asserted. Total debt service to maturity, including future interest requirements, to be funded principally from Per Capita Aid, aggregated $958 million for debt outstanding at June 30, 1976, and $942 million for debt outstanding at December 31, 1976.

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. The monies become available from the Municipal Assistance Tax Fund and the Municipal Assistance State Aid Fund only after the State legislature annually appropriates such funds.

Note 3 — Capital Reserve Fund:

The Act provides for the establishment of a Capital Reserve Fund to provide for the periodic payment of interest and retirement of principal on the Corporation’s bonds. Generally, the Capital Reserve Fund is required to have the following percentages of each calendar year’s debt service requirement on deposit by January 1 of such year: 1977 — 25%, 1978 — 50%, 1979 — 75%, 1980 — 100% and thereafter 100% of the succeeding calendar year’s debt service requirement. The Capital Reserve Fund balance at December 31, 1976 of $124,877,180 comprised $104,298,633 relating to the First General Bond Resolution and $20,578,547 relating to the Second General Bond Resolution.

The Capital Reserve Fund may be invested on the same basis as described in Note 5, and comprised the following:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 1976</th>
<th>December 31, 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 3,538</td>
<td>$ 1,097</td>
</tr>
<tr>
<td>Investments in marketable securities of, or guaranteed by, the U.S. government, at cost not in excess of market value</td>
<td>19,494,880</td>
<td>122,429,079</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>341,546</td>
<td>2,447,004</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,839,964</strong></td>
<td><strong>$124,877,180</strong></td>
</tr>
</tbody>
</table>
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS — (Continued)
(All data with respect to December 31, 1976 and the period then ended are unaudited)

Note 4 — 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.

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 General 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 the remaining amounts are released to the City.

Pursuant to an agreement dated November 26, 1975 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. The accompanying financial statements and exhibits give effect to the result of this restructuring.

Note 5 — 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 comprised the following at cost, which is not in excess of market value:

<table>
<thead>
<tr>
<th>Description</th>
<th>June 30, 1976</th>
<th>December 31, 1976</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Bill Repurchase Agreements maturing through — July 1976</td>
<td>$ 81,914,000</td>
<td>$ 14,080,000</td>
</tr>
<tr>
<td>— January 1977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Bills maturing through — December 1976</td>
<td>376,177,237</td>
<td>207,743,694</td>
</tr>
<tr>
<td>— January 1977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New York State Bond Anticipation Notes due September 1976</td>
<td>90,000,000</td>
<td></td>
</tr>
<tr>
<td>Total Debt Service Fund investments</td>
<td>$548,091,237</td>
<td>$291,823,694</td>
</tr>
</tbody>
</table>
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

NOTES TO FINANCIAL STATEMENTS — (Continued)

(All data with respect to December 31, 1976 and the period then ended are unaudited)

Note 6 — New York City Notes Held by the Corporation:

The Act requires that the Corporation receive obligations of the City in connection with all payments made to the City for the purpose of paying its operating expenses and authorizes the Corporation to purchase obligations of the City in connection with payments made to the City to enable it to meet short-term debt service. In addition, under exchange offers made by the Corporation, which terminated prior to June 30, 1976 and December 31, 1976, holders of short-term notes of the City exchanged such notes for bonds of the Corporation issued under the Second General Bond Resolution. As a result of such transactions the Corporation held $2,795 million and $2,814 million of such City notes at June 30, and December 31, 1976, respectively. It is the Corporation's present intention that City notes held will not be presented for payment of principal or interest, except for interest on certain Bond Anticipation Notes.

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

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

Note 7 — Operating Fund:

The Operating Fund includes those expenses of carrying out the Corporation's duties and functions, as authorized by the Act, including the expenses of issuing debt, exercising its oversight responsibilities and the general administration of the Corporation. These expenses are to be funded by an annual apportionment from the Special Account in the Municipal Assistance Tax Fund. The amount of the apportionment for the 1977 fiscal year of the Corporation was $4 million (1976 — $6.8 million).

Receipts are recorded in the Operating Fund as allocations are approved by the State. At June 30, 1976, $6,445,825 had been so allocated, of which $2,961,885 (December 31, 1976 — $1,050,922) had not been expended and was held for the Corporation's account by the State Department of Audit and Control. At December 31, 1976, $750,000 of the 1977 apportionment had been allocated of which $219,541 had not been expended.

Expenditures are recorded as goods or services are received and 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. The accompanying Statement of Transactions does not include any expenses for the Corporation's Financial Advisor which is serving without compensation, and includes rent expense only from April 1, 1976, as office space had been provided by the State at no cost until that date.

In addition, the Corporation partially utilized in commencing its operations, repayable First Instance Appropriations for the State's fiscal years ended March 1976 and 1977 of $3 million and $696,137, respectively. The amount of the appropriations remaining at June 30, 1976 to be repaid to
the State from operating expense apportionments were $52,884 and $507,750, respectively. At December 31, 1976, the amount of these appropriations to be repaid to the State from operating expense apportionments were $16,515 and $503,750, respectively.

Note 8 — Litigation:

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

In January 1977, two new actions were brought against the Corporation and others raising substantially the same issues as those raised in the action described in the preceding paragraph. In addition, one of these actions raises an additional claim under the Federal Constitution. Summary judgment has been granted the Corporation in both such actions and the plaintiffs have appealed these judgments to the New York State Court of Appeals.

In November 1976, the State Court of Appeals held unconstitutional the New York State Emergency Moratorium Act for The City of New York, which had provided that holders of certain notes of the City could not take legal action to collect upon their notes for a specified period provided certain conditions were fulfilled. This case has now been remitted to the State Supreme Court with instructions with respect to the entry of judgments requiring payment by the City of such notes. (For further information with respect to the actions of the Courts to date in this case, see “Rights of the Noteholders — Rights Under the Moratorium Decision” which appears elsewhere in the Official Statement.)

Note 9 — Commitments and Contingencies:

The Corporation’s responsibilities, pursuant to the requirements of the Act, for the oversight of the City’s financial affairs are substantially similar to the responsibilities of the 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 the 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.

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 million of City obligations or, at their option, obligations of the Corporation, in an amount up to $1,600,175,000, less the principal amounts of bonds issued by the Corporation in exchange offers 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 the extent permitted by law 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 to take reasonable steps to assure performance of such Agreement by others; and

3. Acknowledged that in the future the Corporation may become a Borrower on the City's behalf pursuant to the Credit Agreement, and therefore a party to such agreement.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

BONDS AND NOTES OUTSTANDING
(Note 4)

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturity date</th>
<th>Interest rate</th>
<th>Principal June 30, 1976</th>
<th>Principal December 31, 1976 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (Public)</td>
<td>1977–1990</td>
<td>6.5%–9.25%</td>
<td>$549,460,000</td>
<td>$549,460,000</td>
</tr>
<tr>
<td>B (Public)</td>
<td>1980–1983</td>
<td>10%–11%</td>
<td>$212,912,000</td>
<td>$212,912,000</td>
</tr>
<tr>
<td>C</td>
<td>1977–1986</td>
<td>6%</td>
<td>$178,555,000</td>
<td>$178,555,000</td>
</tr>
<tr>
<td>D</td>
<td>1977–1986</td>
<td>6%</td>
<td>$36,860,000</td>
<td>$36,860,000</td>
</tr>
<tr>
<td>E</td>
<td>1977–1986</td>
<td>8%</td>
<td>$40,000,000</td>
<td>$40,000,000</td>
</tr>
<tr>
<td>G</td>
<td>1977–1985</td>
<td>8.5%–11%</td>
<td>$50,000,000</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>J (Public)</td>
<td>1984–1985</td>
<td>11%</td>
<td>$1,090,000</td>
<td>$1,090,000</td>
</tr>
<tr>
<td>J (Restructured)</td>
<td>1977–1986</td>
<td>6%</td>
<td>$73,590,000</td>
<td>$73,590,000</td>
</tr>
<tr>
<td>M</td>
<td>1977–1995</td>
<td>9%–11%</td>
<td>$86,050,000</td>
<td>$86,050,000</td>
</tr>
<tr>
<td>O</td>
<td>1990–1994</td>
<td>11%</td>
<td>$25,000,000</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>U</td>
<td>1986–1990</td>
<td>11%</td>
<td>$40,000,000</td>
<td>$40,000,000</td>
</tr>
<tr>
<td>V</td>
<td>1986–1995</td>
<td>11%</td>
<td>$100,000,000</td>
<td>—</td>
</tr>
<tr>
<td>X</td>
<td>1991–1994</td>
<td>11%</td>
<td>$35,000,000</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>Y</td>
<td>1981</td>
<td>10%</td>
<td>$20,850,000</td>
<td>$20,850,000</td>
</tr>
<tr>
<td>AA</td>
<td>1986–1995</td>
<td>11%</td>
<td>$150,000,000</td>
<td>—</td>
</tr>
<tr>
<td>BB</td>
<td>1977–1986</td>
<td>6%</td>
<td>$1,479,318,000</td>
<td>$1,479,318,000</td>
</tr>
<tr>
<td>CC</td>
<td>1994–1993</td>
<td>10¼%</td>
<td>—</td>
<td>$256,250,000</td>
</tr>
<tr>
<td>DD</td>
<td>1977</td>
<td>5%</td>
<td>—</td>
<td>$6,875,000</td>
</tr>
<tr>
<td><strong>Total First Resolution</strong></td>
<td></td>
<td></td>
<td><strong>3,078,685,000</strong></td>
<td><strong>3,091,810,000</strong></td>
</tr>
</tbody>
</table>

Second General Resolution Bonds: July 1:

<table>
<thead>
<tr>
<th>Resolution Bonds</th>
<th>Maturity date</th>
<th>Interest rate</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>1977–1986</td>
<td>8%</td>
<td>$89,945,000</td>
</tr>
<tr>
<td>2</td>
<td>1977–1986</td>
<td>8%</td>
<td>$191,670,000</td>
</tr>
<tr>
<td>3</td>
<td>1977–1986</td>
<td>8%</td>
<td>$78,700,000</td>
</tr>
<tr>
<td>4</td>
<td>1977–1986</td>
<td>8%</td>
<td>$97,960,000</td>
</tr>
<tr>
<td>5</td>
<td>1982–1991</td>
<td>8%</td>
<td>$139,860,000</td>
</tr>
<tr>
<td>6</td>
<td>1982–1991</td>
<td>8%</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Second Resolution</strong></td>
<td></td>
<td></td>
<td><strong>598,135,000</strong></td>
</tr>
</tbody>
</table>

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</td>
</tr>
<tr>
<td>February 15, 1977</td>
<td>6%</td>
<td>$23,500,000</td>
</tr>
<tr>
<td><strong>Total Promissory Notes</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total bonds and notes outstanding:

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,950,320,000</td>
<td>$3,716,125,000</td>
</tr>
</tbody>
</table>

F-11
<table>
<thead>
<tr>
<th>For the fiscal year ended June 30</th>
<th>Capital reserve fund contributions</th>
<th>Principal and interest requirements</th>
<th>Second general bond resolution</th>
<th>Promissory note resolutions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$20,456,403.00</td>
<td>$309,439,216.19</td>
<td>$63,055,600.00</td>
<td>$25,242,916.67</td>
<td>$418,194,135.86</td>
</tr>
<tr>
<td>1977</td>
<td>119,649,800.00</td>
<td>403,835,512.50</td>
<td>79,211,200.00</td>
<td></td>
<td>602,696,512.50</td>
</tr>
<tr>
<td>1978</td>
<td>111,237,259.38</td>
<td>440,067,087.50</td>
<td>79,209,200.00</td>
<td></td>
<td>630,513,546.88</td>
</tr>
<tr>
<td>1979</td>
<td>190,039,828.12</td>
<td>472,192,343.75</td>
<td>79,203,200.00</td>
<td></td>
<td>741,435,471.87</td>
</tr>
<tr>
<td>1980</td>
<td>(49,244,343.75)</td>
<td>447,352,425.00</td>
<td>79,208,400.00</td>
<td></td>
<td>477,316,481.25</td>
</tr>
<tr>
<td>1981</td>
<td>(17,832,160.00)</td>
<td>424,161,200.00</td>
<td>89,518,800.00</td>
<td></td>
<td>495,847,840.00</td>
</tr>
<tr>
<td>1982</td>
<td>(1,866,566.25)</td>
<td>414,225,440.00</td>
<td>89,516,000.00</td>
<td></td>
<td>501,741,480.00</td>
</tr>
<tr>
<td>1983</td>
<td>(83,768,268.75)</td>
<td>369,951,873.75</td>
<td>89,520,800.00</td>
<td></td>
<td>375,704,045.00</td>
</tr>
<tr>
<td>1984</td>
<td>(8,146,124.50)</td>
<td>282,622,552.50</td>
<td>89,412,800.00</td>
<td></td>
<td>123,528,265.53</td>
</tr>
<tr>
<td>1985</td>
<td>(248,707,066.87)</td>
<td>148,540,243.75</td>
<td>22,958,800.00</td>
<td></td>
<td>99,417,776.57</td>
</tr>
<tr>
<td>1986</td>
<td>(81,157,266.88)</td>
<td>101,727,318.75</td>
<td>22,962,800.00</td>
<td></td>
<td>58,699,931.25</td>
</tr>
<tr>
<td>1987</td>
<td>(85,790,187.50)</td>
<td>61,248,906.25</td>
<td>22,980,400.00</td>
<td></td>
<td>72,195,250.00</td>
</tr>
<tr>
<td>1988</td>
<td>(12,014,056.25)</td>
<td>66,836,175.00</td>
<td>22,957,600.00</td>
<td></td>
<td>97,792,218.75</td>
</tr>
<tr>
<td>1989</td>
<td>(1,970,743.75)</td>
<td>89,039,618.75</td>
<td>22,911,200.00</td>
<td></td>
<td>121,911,532.50</td>
</tr>
<tr>
<td>1990</td>
<td>(1,100,806.25)</td>
<td>107,712,762.50</td>
<td></td>
<td></td>
<td>108,813,588.75</td>
</tr>
<tr>
<td>1991</td>
<td>(36,177,034.37)</td>
<td>63,308,568.75</td>
<td></td>
<td></td>
<td>27,131,534.38</td>
</tr>
<tr>
<td>1992</td>
<td>(57,203,534.38)</td>
<td>1,110,000.00</td>
<td></td>
<td></td>
<td>(50,993,334.38)</td>
</tr>
<tr>
<td>Total</td>
<td>($122,736,353.25)</td>
<td>$4,582,943,549.94</td>
<td>$942,122,000.00</td>
<td>$25,242,916.67</td>
<td>$5,427,572,113.36</td>
</tr>
</tbody>
</table>
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

SUMMARY OF TOTAL ANNUAL DEBT SERVICE PAYMENT REQUIREMENTS

at December 31, 1976
(Unaudited)
(Note 4)

<table>
<thead>
<tr>
<th>For the fiscal year ended June 30</th>
<th>First general bond resolution</th>
<th>Second general bond resolution</th>
<th>Promissory note resolutions</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>$300,624,669.44</td>
<td>$24,383,842.55</td>
<td>$25,242,916.67</td>
<td>$350,251,428.66</td>
</tr>
<tr>
<td>1978</td>
<td>410,652,287.50</td>
<td>63,055,600.00</td>
<td></td>
<td>473,707,887.50</td>
</tr>
<tr>
<td>1979</td>
<td>397,018,737.50</td>
<td>79,211,200.00</td>
<td></td>
<td>476,229,937.50</td>
</tr>
<tr>
<td>1980</td>
<td>453,115,437.50</td>
<td>79,209,200.00</td>
<td></td>
<td>532,324,637.50</td>
</tr>
<tr>
<td>1981</td>
<td>461,269,250.00</td>
<td>79,203,200.00</td>
<td></td>
<td>540,472,450.00</td>
</tr>
<tr>
<td>1982</td>
<td>433,435,600.00</td>
<td>79,203,200.00</td>
<td></td>
<td>512,644,000.00</td>
</tr>
<tr>
<td>1983</td>
<td>414,586,800.00</td>
<td>89,518,800.00</td>
<td></td>
<td>504,005,600.00</td>
</tr>
<tr>
<td>1984</td>
<td>413,564,080.00</td>
<td>89,516,000.00</td>
<td></td>
<td>502,080,080.00</td>
</tr>
<tr>
<td>1985</td>
<td>320,339,667.50</td>
<td>89,520,800.00</td>
<td></td>
<td>415,860,467.50</td>
</tr>
<tr>
<td>1986</td>
<td>412,073,942.50</td>
<td>89,515,200.00</td>
<td></td>
<td>501,589,142.50</td>
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<tr>
<td>1987</td>
<td>153,571,102.50</td>
<td>89,412,800.00</td>
<td></td>
<td>242,983,902.50</td>
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<tr>
<td>1988</td>
<td>143,509,325.00</td>
<td>22,958,800.00</td>
<td></td>
<td>166,468,125.00</td>
</tr>
<tr>
<td>1989</td>
<td>59,945,312.50</td>
<td>22,962,800.00</td>
<td></td>
<td>82,908,112.50</td>
</tr>
<tr>
<td>1990</td>
<td>62,552,500.00</td>
<td>22,960,400.00</td>
<td></td>
<td>85,512,900.00</td>
</tr>
<tr>
<td>1991</td>
<td>71,159,850.00</td>
<td>22,957,600.00</td>
<td></td>
<td>94,117,450.00</td>
</tr>
<tr>
<td>1992</td>
<td>106,899,387.50</td>
<td>22,911,200.00</td>
<td></td>
<td>129,810,587.50</td>
</tr>
<tr>
<td>1993</td>
<td>108,526,137.50</td>
<td></td>
<td></td>
<td>108,526,137.50</td>
</tr>
<tr>
<td>1994</td>
<td>18,091,000.00</td>
<td></td>
<td></td>
<td>18,091,000.00</td>
</tr>
<tr>
<td>1995</td>
<td>2,220,000.00</td>
<td></td>
<td></td>
<td>2,220,000.00</td>
</tr>
</tbody>
</table>

Total $4,779,455,146.94 $966,505,842.55 $25,242,916.67 $5,771,203,906.16

F-13
Dear Sirs:

We have examined a record of proceedings relating to the issuance of $ aggregate principal amount of 1977 Series 7 Bonds (the "1977 Series 7 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 1977 Series 7 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") and the 1977 Series 7 Resolution (the "Series Resolution"), adopted March 18, 1977. Said resolutions are herein collectively called the "Resolutions."

The 1977 Series 7 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 General Bond Resolution or as may be limited by law. The 1977 Series 7 Bonds are being issued for the purpose of effecting an exchange of such 1977 Series 7 Bonds for an equal aggregate principal amount of certain short-term obligations of The City of New York ("The City").

The Corporation is authorized to issue Bonds, in addition to the 1977 Series 7 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1977 Series 7 Bonds and with all other such Bonds (in an aggregate principal amount of $ ) theretofoe issued, be entitled 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 $ ) and other obligations (in aggregate principal amount of $ ) subordinate thereto. The Bonds are not on a parity with such bonds. No such other obligations are currently outstanding.

The 1977 Series 7 Bonds are dated January 1, 1977 except as otherwise provided in the Resolutions with respect to fully registered 1977 Series 7 Bonds and will mature on July 1, 1992 and will bear interest from April 7, 1977, payable 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 1977 Series 7 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 nine and three-quarters per centum (93/4%) per annum.
The 1977 Series 7 Bonds are issued initially in fully registered form without coupons in denominations which are integral multiples of $5,000 or, under certain conditions, coupon form in the denomination of $5,000 registrable as to principal only, and thereafter either in such fully registered form in the denominations of $5,000 or integral multiples thereof or coupon form in the denomination of $5,000, registrable as to principal only. Coupon and fully registered 1977 Series 7 Bonds (in the aggregate principal amount of $5,000 or integral multiples thereof) are interchangeable as provided in the Resolutions. Coupon 1977 Series 7 Bonds are designated 7- and fully registered 1977 Series 7 Bonds are designated 7R-. Coupon 1977 Series 7 Bonds and fully registered 1977 Series 7 Bonds are numbered consecutively from one upward.

The 1977 Series 7 Bonds are subject to redemption at the election of the Corporation as a whole or in part, on or after July 1, 1980 on any interest payment date as provided in the Resolutions at the redemption prices (set forth as percentages of the principal amount thereof), plus accrued interest to the date of redemption, set forth below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102 1/2%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 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 1977 Series 7 Bonds specified therefor:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<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>$</td>
</tr>
<tr>
<td>1992</td>
<td>$</td>
</tr>
</tbody>
</table>

Chapters 168, 169, 888 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 58 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 1977 Series 7 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 1977 Series 7 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1977 Series 7 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 1977 Series 7 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 1977 Series 7 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 (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 amount so certified by the Chairman, as aforesaid.

6. The 1977 Series 7 Bonds do not constitute a debt either of the State or of The City, and neither the State nor The City shall be liable thereon, nor shall the 1977 Series 7 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) at least annually to 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 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, the Stock Transfer Tax, 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 a creditor 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 creditor will not prevail in the court of final jurisdiction.

9. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, moneys on deposit in the Stock Transfer Tax Fund and the Tax Assistance 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 neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of State obligations or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special 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 or applied by the State Comptroller either for the payment of the State obligations or for deposit into such note repayment account. Per capita aid is, under existing law, derived from the General Fund of the State 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, or applied as aforesaid.

10. Under existing statutes and court decisions, interest on the 1977 Series 7 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 1977 Series 7 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1977 Series 7 Bonds, and the execution and delivery of the 1977 Series 7 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the form of the 1977 Series 7 Bond numbered 7R-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, Stephen J. Weinstein, 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>Francis J. Barry</td>
<td>December 31, 1979</td>
</tr>
<tr>
<td>Thomas Coleman</td>
<td>December 31, 1980</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, 1980</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 1977 Series 7 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 March 22, 1977 (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 1977 Series 7 Resolution of the Corporation adopted March 18, 1977 (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, 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 March 18, 1977 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 such minutes 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 the same is in full force on the date hereof and has not been repealed, modified or amended.
11. The specimen of the 1977 Series 7 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 Extract of Minutes referred to in paragraph 9 hereinbefore records therein the determination of the Corporation required pursuant to Section 3035 of the Act.

13. 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 behalf by the affixing thereon of the facsimile signature of Felix Rohatyn, Chairman of the Corporation, who did adopt such signature and the affixing thereon of the official seal of the Corporation attested by the facsimile signature of Stephen J. Weinstein, Secretary of the Corporation, who did and does hereby adopt such signature.

14. At the time of the signing and execution of the Bonds and on the date hereof I was and am a duly chosen, qualified and acting officer of the Corporation authorized to execute the Bonds, and held and now hold the office indicated by the official title set opposite my signature below.

15. 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.
16. The Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolutions or the General Bond Resolution of the Corporation adopted on July 2, 1975.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Corporation this 30th day of March, 1977.

Signature: ___________________________  Official Title: Secretary

Term of Office Expires: Indefinite

I HEREBY CERTIFY that the signature of the officer of the Municipal Assistance Corporation For The City of New York, which appears above is true and genuine and that I know said officer and know him to hold said office set opposite his signature.

Signature: ___________________________  Title: Vice President

Name of Bank: United States Trust Company of New York
CERTIFICATE OF CHAIRMAN

I, FELIX ROHATYN, Chairman of the Municipal Assistance Corporation For The City of New York (the "Corporation") DO HEREBY CERTIFY that the 1977 Series 7 Bonds of the Corporation (the "Bonds"), delivered on this day to the Exchange Agent as identified in the Official Statement of the Corporation dated March 22, 1977 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, and, that on the day of such signing, execution and adoption of the signature on the Bonds, I was and am now the duly chosen, qualified and acting officer of the Corporation authorized to execute the Bonds and the Chairman of such Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of March, 1977.

[Signature]
Chairman
FOR THE CITY OF NEW YORK
MUNICIPAL ASSISTANCE CORPORATION

Dollars

1977 Series 7 Bond
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

9 1/4% Due July 1, 1992

CUSIP 676170 DD 1
MUNICIPAL ASSISTANCE CORPORATION

Extract of Minutes of Meeting of Board of Directors
Held on March 18, 1977

Mr. Rohatyn then reconvened the public meeting and Mr. Gould and Mr. Rohatyn reviewed the terms of the proposed Exchange Offer. Following a description of the terms of the Series Resolution by Mr. Robinson and discussion by the Board, the following resolutions were upon motion duly made and seconded, unanimously adopted:

RESOLVED, that the 1977 Series 7 Resolution is hereby adopted; and

FURTHER RESOLVED, that the Official Statement for the Exchange Offer substantially in the form presented to the Meeting, with such modifications therein as the Executive Director may approve after consultation with General Counsel and Bond Counsel to the Corporation, is hereby adopted; 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 an agreement with United States Trust Company of New York to serve as Exchange Agent in connection with the Exchange Offer, substantially in the form executed and delivered by the Corporation in connection with the Corporation's prior exchange offers, is hereby adopted; and

FURTHER RESOLVED, that the form of Letter of Transmittal to be used in connection with the Exchange Offer, substantially in the form presented to the meeting, is hereby adopted; and
FURTHER RESOLVED, that the Chairman of the Board, the Secretary or the Assistant Secretary of the Corporation be, and each of them hereby is, authorized to execute and deliver on behalf of the Corporation the 1977 Series 7 Resolution, the Official Statement, the Letters of Transmittal, the agreement with the Exchange Agent, and the 1977 Series 7 Bonds, all substantially in form adopted by the Board, with such changes as such officer(s), after consultation with the Corporation's Staff, the General Counsel and Bond Counsel may, in his or their discretion, determine are required and, further, to execute and deliver on behalf of the Corporation such other documents and instruments and to take all such further action as such officer(s) in his or their discretion may consider necessary or appropriate to complete the transactions contemplated by instruments referred to in the foregoing resolutions and to carry out the intent of such resolutions, the execution and delivery of such documents and instruments to constitute the approval of the Board of Directors of the Corporation of the terms contained therein; and

FURTHER RESOLVED, that the Chairman of the Board, the Secretary and the Assistant Secretary be, and each of them hereby is, authorized to secure printing services for the Corporation in connection with the Exchange Offer, all on such terms and conditions as such officer(s) may deem appropriate, and
FURTHER RESOLVED, that the Corporation will pay to any securities broker or dealer who is a member of a national securities exchange in the United States or of the National Association of Securities Dealers, Inc. ("NASD") or to a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or to any foreign broker or dealer not eligible for membership in the NASD who is registered under the Exchange Act, in each case which agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States ("Soliciting Dealers"), the name of which Soliciting Dealer appears in the appropriate space in the Letter of Transmittal, a solicitation fee of $20 for each $1,000, principal amount of City Notes properly tendered and accepted pursuant to the Exchange Offer.

The Chairman directed that copies of the instruments presented to the meeting be attached to the minutes of the meeting.

MFF/lsd

29 March 1977
Exchange Offer

Forms of proposed agreements (i) with United States Trust Company of New York to serve as Exchange Agent, (ii) with Chase Manhattan Bank, First National City Bank, Morgan Guaranty Trust Company and Bank of America to serve as Forwarding Agents, in connection with the Exchange Offer and (iii) with Chase Manhattan Bank, First National City Bank, Morgan Guaranty Trust Company, Merrill Lynch, Pierce, Fenner & Smith, Kidder Peabody & Co. and Salomon Brothers to distribute Exchange Offer materials, and the form of Acknowledgment of Interest Right, in which the Corporation acknowledged to a tendering holder of City Notes his right to receive interest on the City Notes through the due date thereon, were placed before the Meeting. Forms of Letters of Transmittal were also made available to members of the Board.

Following further discussion, the following resolutions were duly moved, seconded and unanimously carried:

RESOLVED, that the Second General Bond Resolution and the 1975 Series 1, 2, 3 and 4 Resolutions, substantially in the form as presented to the meeting, with such non-substantive changes as counsel may, in their discretion, decide, are hereby adopted.
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 Messrs. Rohatyn, Gould and Flynn, 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 the agreements with the Chase Manhattan Bank, N.A., First National City Bank, Morgan Guaranty Trust Company of New York and Bank of America, N.T., and S.A. pertaining to their services as Forwarding Agents in connection with the Exchange Offer and with Chase Manhattan Bank, First National City Bank, Morgan Guaranty Trust Company, Merrill Lynch, Pierce Fenner & Smith, Kidder Peabody & Co. and Salomon Brothers to distribute Exchange Offer materials and the form of Acknowledgment of Interest Right are adopted in the form before the Meeting.

FURTHER RESOLVED that the form of Letter of Transmittal to be used in connection with the Exchange Offer is hereby approved.
I, FELIX ROHATYN, Chairman of the Municipal Assistance Corporation for the City of New York (the "Corporation") acting pursuant to Section 201 of the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977 (the "Series Resolution") do hereby authorize and direct the Exchange Agent to accept the tender of City Notes and the Trustee to deliver 1977 Series 7 Bonds (all such terms as defined or referred to in the Series Resolution) in the aggregate principal amount of

Four Hundred Million Dollars ($400,000,000)

or such greater aggregate principal amount as shall equal the aggregate principal amount of all City Notes tendered and accepted on the day on which the aggregate principal amount hereinbefore set forth of City Notes are tendered and accepted.

[Signature]
Chairman
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*

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

SECTION 101. Definitions ........................................... 1
SECTION 102. Authority for this Resolution ......................... 5
SECTION 103. Resolution to Constitute Contract ..................... 5

ARTICLE II
AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 201. Authorization of Bonds ............................... 6
SECTION 202. Provision for Issuance of Bonds ....................... 6
SECTION 203. Provisions for Refunding Bonds ....................... 10
SECTION 204. Additional Obligations ............................... 12

ARTICLE III
GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 301. Medium of Payment; Form and Date ..................... 12
SECTION 302. Legends ................................................. 13
SECTION 303. Execution and Authentication .......................... 13
SECTION 304. Interchangeability of Bonds ....................... 15
SECTION 305. Negotiability, Transfer and Registry ............... 15
SECTION 306. Transfer and Registration of Coupon Bonds .......... 15
SECTION 307. Transfer of Registered Bonds ....................... 17
SECTION 308. Regulations with Respect to Exchanges and Transfers . . . 17
SECTION 309. Bonds Mutilated, Destroyed, Stolen or Lost .......... 18
SECTION 310. Preparation of Definitive Bonds; Temporary Bonds .... 18

ARTICLE IV
REDEMPTION OF BONDS

SECTION 401. Privilege of Redemption and Redemption Price ........ 19
SECTION 402. Redemption at the Election or Direction of the Corporation 20
SECTION 403. Redemption Other Than at Corporation's Election or Direction .... 20
SECTION 404. Selection of Bonds to Be Redeemed by Lot .......... 20
SECTION 405. Notice of Redemption .................................. 21
SECTION 406. Payment of Redeemed Bonds .......................... 22

* 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>Title</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>Title</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 City of New York</td>
<td>27</td>
</tr>
</tbody>
</table>

### ARTICLE VII
**SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</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>Title</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 Successors</td>
<td>36</td>
</tr>
</tbody>
</table>
ARTICLE IX

Covenants of the Corporation

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<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>

ARTICLE X

Series Resolutions and Supplemental Resolutions

<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>

ARTICLE XI

Amendments of Resolutions

<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>

ARTICLE XII

Defaults and Remedies

<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,” “hereeto,” “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 therein 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) A copy of the Series Resolution authorizing such Bonds, certified by an Authorized Officer of the Corporation;

(4) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the Corporation stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution or in the First General Bond Resolution; and

(5) Such further documents, moneys and securities as are required by the provisions of this Section 202, and Section 203, or Article X or any Supplemental Resolution adopted pursuant to Article X.

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 405.

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 discretion, 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 denomination 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 pursuant 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 redeemed, and, in the case of registered Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal 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 notice 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 Effectuated 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 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 pay-
able 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 hereof on such due date, Term
Bonds of the Series and maturity for which such Sinking Fund Install-
ment 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 monies in the Bond Service Fund sufficient to pay the appli-
cable 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 pay-
able from such Sinking Fund Installment and any Term Bonds so pur-
chased prior to the first day of July shall be cancelled by the Trus-
tee 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 restor-
ing 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 Corpora-
tion 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 direc-
tion 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 Require-
ment 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 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 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 Chairman shall certify to the State Comptroller and to the Mayor (with a copy to the Trustee) a schedule setting forth the cash requirements of the Corporation for such Fiscal Year and the time or times when such cash is required, which certification shall be revised from time to time as required. The total amount so certified by such Chairman for such Fiscal Year shall be equal to: (i) the amounts which are required to be deposited in the Capital Reserve Fund during such Fiscal Year in order to maintain the Capital Reserve Fund at the Capital Reserve Fund Requirement; (ii) the amounts required to be deposited in the 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 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 or interest on the Bonds any amounts due to be received as payment of principal 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 Reso-
lution, 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 obliga-
tions 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 Reve-
nues and other monies, securities and funds pledged under this Reso-
lution 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 inter-
est 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 2 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 thereon 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 resolutions shall contain a specific reference to the modifications contained 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 Resolution as theretofore in effect.

1002. Supplemental Resolutions Effective With Consent of Bondholders. The provisions of this Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of Article XI hereof, such Supplemental Resolution 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 Supplemental 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 Resolution 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 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 Corporation 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 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. 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 particular 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 amendment permitted by the provisions of Section 1101 to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent 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 Supplemental 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 Corporation in accordance with the provisions of this Resolution, is authorized 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 applying such monies, it shall fix the date (which shall be an interest payment 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 accrue. The Trustee shall give such notice as it may deem appropriate 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 discontinued 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 majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided 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 instru-
ment 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 there-tofore 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 the 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 there-of, 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

1977 Series 7 Resolution

Due
July 1, 1992

Adopted March 18, 1977
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1977 SERIES 7 RESOLUTION

TABLE OF CONTENTS*

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

<table>
<thead>
<tr>
<th>SECTION 101. 1977 Series 7 Resolution</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION 102. Definitions</td>
<td>1</td>
</tr>
<tr>
<td>SECTION 103. Authority for the 1977 Series 7 Resolution</td>
<td>2</td>
</tr>
</tbody>
</table>

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE OF 1977 SERIES 7 BONDS

<table>
<thead>
<tr>
<th>SECTION 201. Authorization of 1977 Series 7 Bonds, Principal Amount, Designation and Series</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECTION 202. Purpose</td>
<td>2</td>
</tr>
<tr>
<td>SECTION 203. Date of 1977 Series 7 Bonds</td>
<td>3</td>
</tr>
<tr>
<td>SECTION 204. Maturities and Interest Rates</td>
<td>3</td>
</tr>
<tr>
<td>SECTION 205. Interest Payments</td>
<td>3</td>
</tr>
<tr>
<td>SECTION 206. Denominations, Numbers and Letters</td>
<td>3</td>
</tr>
<tr>
<td>SECTION 207. CUSIP Numbers</td>
<td>4</td>
</tr>
<tr>
<td>SECTION 208. Places of Payment and Paying Agent</td>
<td>4</td>
</tr>
<tr>
<td>SECTION 209. Redemption of 1977 Series 7 Bonds and Terms</td>
<td>4</td>
</tr>
<tr>
<td>SECTION 210. Sinking Fund Installments</td>
<td>4</td>
</tr>
<tr>
<td>SECTION 211. Selection by Lot</td>
<td>5</td>
</tr>
<tr>
<td>SECTION 212. Exchange of 1977 Series 7 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 1977 SERIES 7 BONDS AND COUPONS

SECTION 301. Form of Bonds and Coupons of 1977 Series 7 Bonds ............ 6
SECTION 302. No Recourse on 1977 Series 7 Bonds ............................. 32
SECTION 303. Execution and Authentication of 1977 Series 7 Bonds ........... 32

ARTICLE IV
MISCELLANEOUS

SECTION 401. When Effective .......................................................... 33
1977 SERIES 7 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

SECTION 101. 1977 Series 7 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, 1973, 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 1977 Series 7 Resolution as such terms are given in said Section 101 of the Second General Bond Resolution.

(b) In addition, as used in this 1977 Series 7 Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Issue Date" shall mean April 7, 1977, provided, however, that with respect to certain registered 1977 Series 7 Bonds issued on or after the first interest payment date, Issue Date shall mean the date provided in Section 301 of the Resolution.

"1977 Series 7 Bonds" shall mean the Bonds authorized by Article II of this 1977 Series 7 Resolution.

"1977 Series 7 Resolution" shall mean this 1977 Series 7 Resolution.

"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 and held by persons or institutions other than (i) the Corporation, (ii) the United States of America or (iii) those who executed agreements to withhold demand
SECTION 207. CUSIP Numbers. The Corporation is hereby authorized, in its discretion, to provide for the assignment of CUSIP numbers for the 1977 Series 7 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 Holders of registered Bonds 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 1977 Series 7 Bonds shall be payable at the corporate trust office of the Trustee.

SECTION 209. Redemption of 1977 Series 7 Bonds and Terms. The 1977 Series 7 Bonds shall be subject to redemption on any interest payment date on or after July 1, 1980, in whole or in part, by lot, at the election of the Corporation, at the Redemption Price set forth as a percentage of the principal amount thereof, plus accrued interest, if any, to the date of redemption, as set forth below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981.............</td>
<td>102 1/2%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982.............</td>
<td>102 %</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983.............</td>
<td>101 1/2%</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984.............</td>
<td>101 %</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985.............</td>
<td>100 1/2%</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter ................................</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 Bonds shall be subject to redemption from mandatory Sinking Fund Installments, as hereinafter provided.

SECTION 210. Sinking Fund Installments. The 1977 Series 7 Bonds shall be subject to redemption, in part, by lot, by operation of the Bond Service Fund through application of Sinking Fund Installments as provided in the Resolution. The 1977 Series 7 Bonds shall be subject to such redemption beginning on July 1, 1983, and on each July 1 thereafter until maturity on July 1, 1992, 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 1977 Series 7 Bond or portion thereof to be redeemed, plus accrued interest, if any, to the date of redemption. Unless none of the 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bonds Outstanding as of the date (or dates) of original issue of the 1977 Series 7 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 1977 Series 7 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 1992 in said table shall be payable at the stated maturity date of the 1977 Series 7 Bonds and provided that the aggregate amounts so determined do not exceed the principal amount of such 1977 Series 7 Bonds Outstanding as of such date (or dates) of original issue:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>6.3502%</td>
<td>1988</td>
<td>10.1113%</td>
</tr>
<tr>
<td>1985</td>
<td>7.6488</td>
<td>1990</td>
<td>12.1791</td>
</tr>
<tr>
<td>1986</td>
<td>8.3946</td>
<td>1991</td>
<td>13.3666</td>
</tr>
</tbody>
</table>

Section 211. Selection by Lot. If less than all of the 1977 Series 7 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 1977 Series 7 Bonds. (a) The 1977 Series 7 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.
(b) The Official Statement of the Corporation entitled “Exchange Offer To Holders Of Certain Short-Term Notes Of The City Of New York,” to be dated March 22, 1977, 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 1977 Series 7 Bonds for Short Term Obligations are hereby authorized and approved.

ARTICLE III

FORM AND EXECUTION OF 1977 SERIES 7 BONDS AND COUPONS

SECTION 301. Form of Bonds and Coupons of 1977 Series 7 Bonds. Subject to the provisions of the Resolution, the 1977 Series 7 Bonds in coupon form and coupons to be attached thereto and the 1977 Series 7 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 1977 Series 7 Bond)

No. 7- $5,000

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
1977 Series 7 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, 1992, unless redeemed prior thereto as hereinafter provided, and to pay interest thereon from April 7, 1977, to the date of maturity or earlier redemption of this Bond, at the rate
of nine and three-quarters per centum (9 3/4%) per annum, payable on 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 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, the 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”).

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, as amended and supplemented (the “First General Bond Resolution”) 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 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 said 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 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 “1977 Series 7 Bonds” (herein called the “1977 Series 7 Bonds”), issued pursuant to the Second General Bond Resolution and the series resolution of the Corporation adopted March 18, 1977, entitled “1977 Series 7 Resolution” (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 1977 Series 7 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1977 Series 7 Bonds with respect thereto and the terms and conditions upon which the 1977 Series 7 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 1977 Series 7 Bonds are issuable in the form of registered bonds without coupons in the denomination of $5,000, or an integral multiple thereof, not exceeding the aggregate principal amount of the 1977 Series 7 Bonds. Registered 1977 Series 7 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 1977 Series 7 Bonds in the denomination of $5,000 each, with appropriate coupons attached, or of 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bonds of any of the authorized denominations.
The 1977 Series 7 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1980 as a whole or in part, by lot, on any interest payment date, at the Redemption Price (as defined in the Resolutions) (expressed as a percentage of the principal amount) plus accrued interest, if any, to the date of redemption shown below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102 1/2%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date</td>
<td>100</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 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 1977 Series 7 Bonds Outstanding as of the date of original issue of the 1977 Series 7 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 1977 Series 7 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>1983</td>
<td>6.3502%</td>
<td>1988</td>
<td>10.1113%</td>
</tr>
<tr>
<td>1984</td>
<td>6.9693%</td>
<td>1989</td>
<td>11.0972%</td>
</tr>
<tr>
<td>1985</td>
<td>7.6488%</td>
<td>1990</td>
<td>12.1791%</td>
</tr>
<tr>
<td>1986</td>
<td>8.3946%</td>
<td>1991</td>
<td>13.3666%</td>
</tr>
<tr>
<td>1987</td>
<td>9.2130%</td>
<td>1992</td>
<td>14.6699%</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, 1977 Series 7 Bonds of the Corporation
payable from such Sinking Fund Installment and apply any 1977 Series 7 Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 1977 Series 7 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 1977 Series 7 Bonds or portions of the 1977 Series 7 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 1977 Series 7 Bonds. Notice of redemption having been given, as aforesaid, the 1977 Series 7 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 1977 Series 7 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1977 Series 7 Bonds maturing subsequent to the redemption date shall be void.

The 1977 Series 7 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 1977 Series 7 Bonds be payable out of any funds other than those of the Corporation.

This 1977 Series 7 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 1977 Series 7 Bond, or of any coupon appurtenant hereto, by accepting this 1977 Series 7 Bond or coupon shall be conclusively deemed to have agreed that this 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 1977 Series 7 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 1977 Series 7 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 January, 1977.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

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

[SEAL.]

Attest:

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

This Bond is one of the 1977 Series 7 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 the 1st day of , 19 (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, in the Borough of Manhattan, City and State of New York, the Trustee, upon presentation and surrender of this coupon, being the interest then due on its 1977 Series 7 Bond, dated January 1, 1977, No. 7-

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>
MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

1977 Series 7 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 19 , 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 nine and three-quarters per centum (9 3/4%) per annum, payable on July 1, 1977 and semi-annually thereafter on January 1 and on July 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, as amended and supplemented (the "First General Bond Resolution") 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 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 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 "1977 Series 7 Bonds" (herein called the "1977 Series 7 Bonds"), issued pursuant to the Second General Bond Resolution and the series resolution of the Corporation, adopted March 18, 1977, entitled "1977 Series 7 Resolution" (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 1977 Series 7 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1977 Series 7 Bonds with respect thereto and the terms and conditions upon which the 1977 Series 7 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 1977 Series 7 Bond or Bonds or, at the option of the transferee, a coupon 1977 Series 7 Bond or Bonds with appropriate coupons attached, of the same aggregate principal amount and interest rate as the surrendered 1977 Series 7 Bond, as provided in the Resolutions and upon 1977 Series 7 if any, therein prescribed. The Corporation and the Trustee may treat and consider
the person in whose name this 1977 Series 7 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 1977 Series 7 Bonds are issuable in the form of registered bonds without coupons in the denomination of $5,000, or an integral multiple thereof, not exceeding the aggregate principal amount of the 1977 Series 7 Bonds. Registered 1977 Series 7 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 1977 Series 7 Bonds in the denomination of $5,000 each, with appropriate coupons attached, or of 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bonds of any of the authorized denominations.

The 1977 Series 7 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1980 as a whole or in part, by lot, on any interest payment date at the Redemption Price (as defined in the Resolutions) (expressed as a percentage of the principal amount) plus accrued interest, if any, to the date of redemption as set forth below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102½%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101½</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100½</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 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 1977 Series 7 Bonds Outstanding as of the date of original issue of the 1977 Series 7 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 1977 Series 7 Bonds Outstanding as of such date of original issue:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>6.3502%</td>
</tr>
<tr>
<td>1984</td>
<td>6.9693%</td>
</tr>
<tr>
<td>1985</td>
<td>7.6488%</td>
</tr>
<tr>
<td>1986</td>
<td>8.3946%</td>
</tr>
<tr>
<td>1987</td>
<td>9.2130%</td>
</tr>
<tr>
<td>1988</td>
<td>10.1113%</td>
</tr>
<tr>
<td>1989</td>
<td>11.0972%</td>
</tr>
<tr>
<td>1990</td>
<td>12.1791%</td>
</tr>
<tr>
<td>1991</td>
<td>13.3666%</td>
</tr>
<tr>
<td>1992</td>
<td>14.6699%</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 1977 Series 7 Bonds of the Corporation payable from such Sinking Fund Installment and apply any 1977 Series 7 Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 1977 Series 7 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 1977 Series 7 Bonds or portions of the 1977 Series 7 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 1977 Series 7 Bonds. Notice of redemption having been given, as aforesaid, the 1977 Series 7 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 1977 Series 7 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1977 Series 7 Bonds maturing subsequent to the redemption date shall be void.

The 1977 Series 7 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 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 1977 Series 7 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 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within 1977 Series 7 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 1977 Series 7 Bond in every particular, without alteration or enlargement or any change whatever.
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
1977 SERIES 7 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 19 ...., 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 nine and three-quarters per centum (9 3/4%) per annum, payable on July 1, 1977 and semi-annually thereafter on January 1 and on July 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 provisions 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 designated "1977 Series 7 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 1977 Series 7 Bonds be payable out of any funds other than those of the Corporation.

This 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 1977 Series 7 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 1977 Series 7 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 January 1, 1977.

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 1977 Series 7 Bonds described in the within-mentioned Resolutions.

UNITED STATES TRUST COMPANY
OF NEW YORK, Trustee

By..................................................

Authorized Signature

[Reverse of Alternative Form of Registered 1977 Series 7 Bond]

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

1977 SERIES 7 BOND

9¾% Due July 1, 1992

This Bond is one of a duly authorized issue of bonds of the Corporation designated as its “Bonds” and 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” and 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 as amended and supplemented (the “First General Bond Resolution”), 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 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 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 “1977 Series 7 Bonds” (herein called the “1977 Series 7 Bonds”), issued pursuant to the Second General Bond Resolution and the series resolution of the Corporation, adopted March 18, 1977, entitled “1977 Series 7 Resolution” (said resolutions being herein collectively called the “Resolutions”), for the 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 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 1977 Series 7 Bonds, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the bearers or registered owners of the 1977 Series 7 Bonds with respect thereto and the terms and conditions upon which the 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bond or Bonds or, at the option of the transferee, a 1977 Series 7 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 1977 Series 7 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 1977 Series 7 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 (as defined in the Resolutions) hereof and interest due hereon and for all other purposes whatsoever.

The 1977 Series 7 Bonds are issuable in the form of registered Bonds without coupons in the denomination of $5,000, or an integral multiple thereof, not exceeding the aggregate principal amount of the 1977 Series 7 Bonds. Registered 1977 Series 7 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 equal aggregate principal amount of 1977 Series 7 Bonds in the denomination of $5,000 each, with appropriate coupons attached, or of 1977 Series 7 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 Resolutions. In like
manner, subject to such conditions and upon the payment of such charges, if any, coupon 1977 Series 7 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 1977 Series 7 Bonds of any of the authorized denominations.

The 1977 Series 7 Bonds are subject to redemption at the option of the Corporation on and after July 1, 1980, as a whole or in part, by lot, on any interest payment date, at the Redemption Price (expressed as a percentage of the principal amount), plus accrued interest, if any, to the date of redemption as shown below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102 1/2%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 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 1977 Series 7 Bonds outstanding as of the date of original issue of the 1977 Series 7 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 1977 Series 7 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>1983</td>
<td>6.3502%</td>
<td>1988</td>
<td>10.1113%</td>
</tr>
<tr>
<td>1985</td>
<td>7.6488</td>
<td>1990</td>
<td>12.1791</td>
</tr>
<tr>
<td>1986</td>
<td>8.3946</td>
<td>1991</td>
<td>13.3666</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, 1977 Series 7 Bonds of the Corporation payable from such Sinking Fund Installment and apply any 1977 Series 7 Bonds so purchased as a credit against such Sinking Fund Installment.

In the event that any or all of the 1977 Series 7 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 30 days before the redemption date to the registered owners of any 1977 Series 7 Bonds or portions of the 1977 Series 7 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 1977 Series 7 Bonds. Notice of redemption having been given, as aforesaid, the 1977 Series 7 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 1977 Series 7 Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable, and the coupons for interest appertaining to coupon 1977 Series 7 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):

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEN COM</td>
<td>as tenants in common</td>
</tr>
<tr>
<td>TEN ENT.</td>
<td>as tenants by the entirety</td>
</tr>
<tr>
<td>JT TEN</td>
<td>as joint tenants with right of survivorship and not as tenants in common</td>
</tr>
<tr>
<td>UNIF GIFT MIN ACT</td>
<td>Custodian Custodian (Cust) (Minor) Under Uniform Gifts to Minors Act (State)</td>
</tr>
</tbody>
</table>
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 Type the Name and Address of Transferee

the within 1977 Series 7 Bond, and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within 1977 Series 7 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 1977 Series 7 Bond in every particular, without alteration or enlargement or any change whatever.

SECTION 302. No Recourse on 1977 Series 7 Bonds. No recourse shall be had for the payment of the principal or Redemption Price of or interest on the 1977 Series 7 Bonds or for any claim based thereon or on the 1977 Series 7 Resolution against any member or officer of the Corporation or any person executing the 1977 Series 7 Bonds and neither the Directors of the Corporation nor any other person executing the 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bonds in the name of the
March 30, 1977

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 March 22, 1977, the holders of certain short-term obligations of The City of New York have been offered the right 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 Titles 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 1977 Series 7 Bond Resolution of the Corporation, adopted March 18, 1977.

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 1977 Series 7 Bond Resolution of the Corporation; are hereby approved.

[Signature]

Arthur Levitt, Comptroller of the State of New York

Dated: March 30, 1977
1977 Series 7 Bonds (the "1977 Bonds"); offered in exchange for up to $400,000,000 of certain notes of The City of New York (the "City Notes") in an aggregate principal amount equal to the aggregate principal amount of City Notes exchanged pursuant to the Exchange Offer. The Corporation may, but is not obligated to, accept for exchange additional City Notes if more than $400,000,000 principal amount of City Notes is tendered. An aggregate of $983,825,000 principal amount of City Notes is outstanding with respect to which the 1977 Bonds may be issued.

The 1977 Bonds shall bear interest from April 7, 1977 at the rate of 9 3/4\% per annum, payable semi-annually on the first day of January and July of each year, commencing July 1, 1977 until maturity on July 1, 1992. Each 1977 Bond is subject to redemption at the election of the Corporation on and after July 1, 1980 as a whole or in part, by lot, on any interest payment date, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102 1/2%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

The 1977 Bonds are further subject to redemption, in part, by lot, on July 1 of each year commencing July 1, 1983, 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 pay to any securities broker or dealer who is a member of a national securities exchange in the United States or of the National Association of Securities Dealers, Inc. ("NASD") or to a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or to any foreign broker or dealer not eligible for membership in the NASD who is registered under the Exchange
Act, in each case which agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States ("Soliciting Dealers"), the name of which Soliciting Dealer appears in the appropriate space in the Letter of Transmittal, a solicitation fee of $20 for each $1,000 principal amount of City Notes properly tendered and accepted pursuant to the Exchange Offer. Soliciting Dealers shall not be agents of the Corporation, the Trustee or the Exchange Agent for purposes of the Exchange Offer.
ORDER TO TRUSTEE AS TO DELIVERY AND AUTHENTICATION OF BONDS

March 30, 1977

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, $10,235,000 principal amount of 1977 Series 7 Bonds, in definitive form (the "Bonds"), of the Municipal Assistance Corporation For The City of New York (the "Corporation") authorized pursuant to the Second General Bond Resolution adopted November 25, 1975, (herein called "General Resolution") and the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977, and to be delivered in connection with the Exchange Offer of the Corporation described in the Official Statement of the Corporation dated March 22, 1977.

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]
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 March, 1977, being the date of delivery of the Bonds referred to herein.

[Signature]

Stephen Weinstein
March 30, 1977

Municipal Assistance Corporation
   For The City of New York
   New York, New York

Dear Sirs:

We have reviewed the accompanying arbitrage certificate of Stephen Weinstein, 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 1977 Series 7 Bonds of the Corporation, dated January 1, 1977 (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(c)(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(c), 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 and October 29, 1976, 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
March 30, 1977

Municipal Assistance Corporation  
For The City of New York  
Two World Trade Center  
New York, New York 10047

United States Trust Company  
of New York, as Trustee under the Second  
General Bond Resolution of, and as Exchange  
Agent in connection with the Exchange Offer  
(as described herein) of, the Municipal  
Assistance Corporation For The City of New York  
130 John Street  
New York, New York 10038

Gentlemen:

We have been requested by our client, 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 not in excess of $983,825,000 aggregate principal amount of the Corporation's 1977 Series 7 Bonds (the "Bonds") to persons who properly tender 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 City Notes, its Bonds in an aggregate principal amount equal to such aggregate principal amount of the City Notes tendered thereunder, all as more fully described in the Official Statement of the Corporation with respect to the Bonds dated March 22, 1977 (the "Official Statement").

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, the By-laws of the Corporation and records of its corporate proceedings, including the Second General Bond Resolution, which was
March 30, 1977

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 not in excess of $983,825,000 aggregate principal amount of 1977 Series 7 Bonds (the "1977 Series 7 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 1977 Series 7 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 1977 Series 7 Resolution (the "Series Resolution"), adopted March 18, 1977. Said resolutions are herein collectively called the "Resolutions."

The 1977 Series 7 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 General Bond Resolution or as may be limited by law. The 1977 Series 7 Bonds are being issued for the purpose of effecting an exchange of such 1977 Series 7 Bonds for an equal aggregate principal amount of certain short-term obligations of The City of New York ("The City").

The Corporation is authorized to issue Bonds, in addition to the 1977 Series 7 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1977 Series 7 Bonds and with all other such Bonds (in an aggregate principal amount of $616,350,000) heretofore issued, be entitled 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 $298,500,000) subordinate thereto. The Bonds are not on a parity with such bonds. No such other obligations are currently outstanding.

The 1977 Series 7 Bonds are dated January 1, 1977 except as otherwise provided in the Resolutions with respect to fully registered 1977 Series 7 Bonds and will mature on July 1, 1992 and will bear interest from April 7, 1977, at the rate of nine and three-quarters per centum (9 3/4%) per annum, payable 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 1977 Series 7 Bonds according to the tenor and upon presentation and surrender of the coupons attached thereto as they respectively become due and payable.
The 1977 Series 7 Bonds are issued initially in fully registered form without coupons in denominations which are integral multiples of $5,000 or, under certain conditions, coupon form in the denominations of $5,000 or integral multiples thereof or coupon form in the denomination of $5,000, registrable as to principal only, and thereafter either in such fully registered form in the denominations of $5,000 or integral multiples thereof or coupon form in the denomination of $5,000, registrable as to principal only. Coupon and fully registered 1977 Series 7 Bonds (in the aggregate principal amount of $5,000 or integral multiples thereof) are interchangeable as provided in the Resolutions. Coupon 1977 Series 7 Bonds are designated 7R-- and fully registered 1977 Series 7 Bonds are designated 7R--. Coupon 1977 Series 7 Bonds and fully registered 1977 Series 7 Bonds are numbered consecutively from one upward.

The 1977 Series 7 Bonds are subject to redemption at the election of the Corporation as a whole or in part, on or after July 1, 1980 on any interest payment date as provided in the Resolutions at the redemption prices (set forth as percentages of the principal amount thereof), plus accrued interest to the date of redemption, set forth below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102 3/4%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101 3/4</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 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 determined by applying to the aggregate principal amount of 1977 Series 7 Bonds Outstanding as of the date or dates of original issue the percentages set forth below (provided that in each such year the amount to be so redeemed shall be equal to the next highest integral multiple of $5,000), 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 1977 Series 7 Bonds determined as hereinabove set forth:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>6.3502%</td>
</tr>
<tr>
<td>1984</td>
<td>6.0993</td>
</tr>
<tr>
<td>1985</td>
<td>7.6488</td>
</tr>
<tr>
<td>1986</td>
<td>8.3946</td>
</tr>
<tr>
<td>1987</td>
<td>9.2130</td>
</tr>
<tr>
<td>1988</td>
<td>10.1113</td>
</tr>
<tr>
<td>1989</td>
<td>11.0972</td>
</tr>
<tr>
<td>1990</td>
<td>12.1701</td>
</tr>
<tr>
<td>1991</td>
<td>13.3666</td>
</tr>
<tr>
<td>1992</td>
<td>14.6699</td>
</tr>
</tbody>
</table>

Chapters 168, 169, 888 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 Con-
(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 hereinafore, the Stock Transfer Tax, 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 a creditor 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 creditor will not prevail in the court of final jurisdiction.

9. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, moneys on deposit in the Stock Transfer Tax Fund and the Tax Assistance 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 neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of State obligations or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special 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 or applied by the State Comptroller either for the payment of the State obligations or for deposit into such note repayment account. Per capita aid is, under existing law, derived from the General Fund of the State 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, or applied as aforesaid.

10. Under existing statutes and court decisions, interest on the 1977 Series 7 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 1977 Series 7 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1977 Series 7 Bonds, and the execution and delivery of the 1977 Series 7 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the form of the 1977 Series 7 Bond numbered 7R-1 and, in our opinion, the form of said Bond is regular and proper.

Very truly yours,

[Signature]
[Signature]
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, 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 (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 amount so certified by the Chairman, as aforesaid.

6. The 1977 Series 7 Bonds do not constitute a debt either of the State or of The City, and neither the State nor The City shall be liable thereon, nor shall the 1977 Series 7 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) at least annually to 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 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;
struction 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 1977 Series 7 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 1977 Series 7 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1977 Series 7 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, money, 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, money, 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, money 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 1977 Series 7 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 1977 Series 7 Bonds are valid and binding general obligations
March 30, 1977

United States Trust Company
of New York
130 John Street
New York, New York 10038

Dear Sirs:

We have delivered to the Municipal Assistance Corporation For The City of New York our approving opinion with respect to the 1977 Series 7 Bonds of the Corporation in the principal amount not in excess of $983,825,000 which opinion is dated the date hereof, a copy of which is annexed hereto.

You are entitled to rely on said opinion as if the same were addressed to you.

Very truly yours,

[Signature]

Hawkins, Delafield & 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 public benefit corporation of the State of New York, under and pursuant to the Second General Bond Resolution adopted November 25, 1975, and the 1977 Series 7 Resolution adopted March 18, 1977, 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 and the order of the Corporation dated today, the Trustee has today authenticated and delivered $10,235,000 principal amount of 1977 Series 7 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 March, 1977.

UNITED STATES TRUST COMPANY OF NEW YORK

(SEAL)

Malcolm J. Hoed, Vice President

Attest:

Assistant Secretary
Excerpt of the BY-LAWS
of
UNITED STATES TRUST COMPANY OF NEW YORK

Dated January 25, 1977

ARTICLE VII
SIGNING AUTHORITIES

Any officer except the Auditor shall have authority to sign checks on behalf of the Trust Company, to certify checks against funds on deposit with the Trust Company, and to endorse checks, drafts, notes and any orders payable to the Trust Company.

The Chairman, the President, a Vice Chairman 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 Trust Company or in its custody in any capacity and to execute deeds of real estate owned by the Trust Company or in its custody in any capacity.

The Chairman, the President, a Vice Chairman 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 Trust Company indentures and all other instruments under which the Trust Company is to act in a fiduciary capacity, or relating to the Trust Company's acting in a fiduciary capacity, and to execute on behalf of the Trust Company all contracts, releases, forms, assignments, security documents and agreements relating thereto.

The Chairman, the President, a Vice Chairman 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 Trust 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 Trust Company bonds, debentures and other evidences of indebtedness, coupons, certificates, warrants and proxies with respect to which the Trust 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 Trust
Company. The President or a Vice Chairman 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 Trust 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 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 Trust Company and subject in each case to
such conditions or limitations as the President or a Vice
Chairman 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 stocks and bonds, and
erasures in connection therewith, execute assignments or
der endorsements 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 Executive Committee may authorize the use of facsimile
signatures on any instrument to be authenticated, executed,
countersigned or certified on behalf of the Trust Company.
March 30, 1977

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 1977 Series 7 Bonds issued today in the aggregate principal amount of $10,235,000 (the Bonds) pursuant to the 1977 Series 7 Resolution adopted by the Corporation on March 18, 1977 and the Second General Bond Resolution (the Resolutions) as contemplated by the Corporation's Exchange Offer Official Statement dated March 22, 1977, and subsequent public announcements of the Corporation and its directions to you.

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
Carter, Ledyard & Milburn

RGMcC:DG
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 1977 Series 7 Resolution of the Corporation, adopted by the Board of Directors of the Corporation on March 18, 1977. 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 Malcolm J. Hood, Vice President

ATTEST:

Assistant Secretary

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

IRREVOCABLE LETTER OF INSTRUCTIONS
TO EXCHANGE AGENT

Dated As Of
March 22, 1977

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 its 1977 Series 7 Bonds (the "Bonds"), issued pursuant to the Corporation's Second General Bond Resolution, for a total of up to $250,000,000 principal amount (or such greater amount as determined by the Corporation pursuant to paragraph 4 hereof) of specified revenue anticipation notes and bond anticipation notes of The City of New York (the "City") outstanding on the

3.24.77
date of commencement of the exchange offer (the "Exchange Offer") (such specified notes being hereinafter called the "City Notes"), all as further described in the Corporation's Official Statement dated March 22, 1977 (the "Official Statement").

Such Exchange Offer is more fully described in the Official Statement. The Exchange Offer is scheduled to commence on March 22, 1977 (the actual time and date of such commencement being hereinafter called the "commencement Date") and is scheduled to terminate at 3:30 P.M., New York City Time, on April 7, 1977, unless earlier fully subscribed or 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 accepted in the Exchange Offer must be

(i) received by you (by mail or by hand), accompanied by a properly completed Letter of Transmittal, at your office designated in the Letter of Transmittal at or prior to the Expiration Date; or

(ii) received by you from a securities broker or dealer who is a member of a national securities exchange in the United States of America (the "United States") or of the National Association of Securities Dealers, Inc. ("NASD") or from a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange
Act of 1934, as amended (the "Exchange Act"), or from any foreign broker or dealer not eligible for membership in the NASD who is registered under the Exchange Act, in each case who agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States (each of the above herein called a "Soliciting Dealer") if such Soliciting Dealer 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 (such telegram or written notice herein-after referred to as the "Protect"), and shall have guaranteed to you that the same will be delivered to you by 3:30 P.M. New York City Time on the eighth day following the Expiration Date, 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(s) properly so tendering a City Note or Notes an appropriate Bond or Bonds as provided in the Official Statement in the form supplied by the Corporation.

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 the procedures described in the Official Statement and you are hereby authorized to act and are hereby instructed further as follows:

1. By its execution of this Agreement, the Corporation hereby notifies you that the Commencement Date has occurred and that City Notes may thereupon be tendered to you in exchange for the Bonds. The Corporation shall immediately 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, of any extension of the Expiration Date.

2. The Corporation, as soon as reasonably practicable after publication thereof, shall furnish you with copies of the Official Statement and the Letter of Transmittal 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. Commencing on the date hereof and subject to the provisions of Section 4 hereof, you shall receive City
Notes, and accompanying Letters of Transmittal, and
Protects tendered pursuant to the Exchange Offer for
the full principal amount of each City Note to which the
Letter of Transmittal or Protect relates and 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
period of the Exchange Offer specified herein, and you
shall stamp or otherwise indicate the date of receipt on
each Letter of Transmittal and Protect so received by you;
provided however, that each person so tendering acknowledges
receipt of an Official Statement by means of a duly completed
and signed Letter of Transmittal or reference to such Letter
of Transmittal in the Protect.

4. You may not accept on behalf of the
Corporation City Notes tendered pursuant to the Exchange
Offer prior to 5:00 P.M. on March 25, 1977, at which time
you shall accept all City Notes received by you as of such
time which have been properly tendered pursuant to the
Exchange Offer. Thereafter, you shall accept all City
Notes which are properly tendered on each business day at
the close of each such business day through and including
the earlier of the Expiration Date of the Exchange Offer
or the date on which the aggregate amount of City Notes properly tendered pursuant to the Exchange Offer equals or exceeds $250,000,000. In the event that an aggregate amount of City Notes equal to or greater than $250,000,000 is properly tendered on any date prior to the Expiration Date, you shall notify the Corporation on such date, (by telephone to the attention of the persons designated in paragraph 5 hereof) of such excess (the "Excess City Notes") as soon as practicable following the close of business on such date. You shall thereafter act pursuant to the written direction of the Corporation with respect to (i) the acceptance of Excess City Notes, which shall be accepted by the Corporation on the strict basis of acceptance of all City Notes tendered on the day on which the aggregate of tenders received equals or exceeds $250,000,000 or such greater amount as the Corporation determines to accept, or (ii) the return of any or all Excess City Notes to the tendering holders.

5. You shall daily during the Exchange Offer furnish the Corporation (Attention: Mr. Stephen J. Weinstein or Mr. Eugene Keilin at telephone number 488-5723 or at their home telephone numbers 691-4754 and 595-9217 respectively), and its counsel, Paul, Weiss, Rifkind, Wharton & Garrison (Attention: Ms. Adele Goldman, at telephone number 644-8253, George S. Balis, Esq. at telephone number 644-8702 or
628-0175, Frederick R. Cummings, Jr., Esq. at 644-8166 or (914) 967-3420 or Allen L. Thomas, Esq. at 644-8712 or 758-4492) with a 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) City Notes that are the subject of advices ("Protects") delivered to you by member firms or banks as permitted by the second un-numbered paragraph hereof; and (iii) City Notes which do not appear to be properly tendered 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. Adele Goldman.

6. 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 (in writing at the time or within two hours thereafter), waive such unacceptability.

7. As soon as reasonably practicable after the closing to be held with respect to the Bonds, and pursuant to written order of the Corporation, you shall deliver, as specified by the person(s) 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 so tendered and a copy of the related approving opinion of Hawkins, Delahfield & Wood, Bond Counsel; provided, however, that you shall not so deliver such Bonds or opinion 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 or opinion 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 in registered and coupon form and (ii) from Bond Counsel, the required opinion. In addition, you shall deliver to each Soliciting Dealer as soon as reasonably practicable after the closing to be held with respect to the Bonds, and in any event, not
earlier than April 13, 1977, the fee which the Corporation shall advise you is due each such Soliciting Dealer, computed on the basis of a fee of $20 for each $1,000 principal amount of City Notes properly tendered by such Soliciting Dealer. The Corporation shall establish an account with you for the purpose of the payment of such fees.

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 Soliciting Dealers and as to all Bonds 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(s) 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 delivered by you to or upon the order of each person tendering a City Note to you and, if in registered form, the name(s) and address of the person(s) to whom the Bond was delivered pursuant to instructions contained in the Letter of Transmittal pertaining thereto.
(c) the name and address of each Soliciting Dealer named in the box "Solicited Tenders" on page 4 of the Letters of Transmittal with respect to properly tendered and accepted City Notes and the principal amount of the City Notes solicited by each.

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. 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 counsels', advisors' and agents' fees, all taxes or other governmental charges involved, all costs of communication, mailing and other expenses of the transmission of Bonds, unaccepted City 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.

12. 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.

13. 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 under 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 pur-
suant to the provisions hereof.

14. You shall have no duty to enforce any obli-
gation 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 docu-
ment 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.

15. 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.

16. 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 moneys 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 17.

17. 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 in selecting, in accordance with the procedure as described in paragraph 4 hereof and any further written direction of the Corporation, which City Notes shall be accepted for exchange if the Corporation elects not to accept all of the City Notes tendered to it), moneys 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 17, 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 17, 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.

18. This agreement shall terminate upon the disposition of the moneys 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 moneys and property held hereunder (less any moneys 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 moneys and property with the Corporation or with any court, as you may deem appropriate.

19. Your obligations hereunder shall be subject to the further condition that there be delivered to you, at the closing for the issuance of the Bonds, an opinion of Messrs. Paul, Weiss, Rifkind, Wharton & Garrison, counsel for the Corporation, in form satisfactory to your counsel, substantially to the effect that:

(a) 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, moratorium 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.

(b) 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.

20. 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: Eugene Keilin
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: Richard G. McClung, Esq.

21. This agreement shall be governed by and construed in accordance with the laws of the State of New York.

22. 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/ Eugene Keilin
   Eugene Keilin
   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
BY HAND

25 March 1977

TO United States Trust Company of New York
130 John Street
New York, New York 10038

ATT: Malcolm J. Hood, Vice President

RE: Exchange Offer by Municipal Assistance Corporation
For The City of New York dated March 22, 1977

Gentlemen:

This letter is in response to certain inquiries which the Corporation has received with respect to the above referenced Exchange Offer, made on the terms and conditions set forth in the Corporation's Official Statement dated March 22, 1977 (the "Exchange Offer"), a copy of which is enclosed herewith.

Certain of the eleven commercial banks which are members of the New York Clearing House Association, Inc. (the "Clearing House Banks") have advised the Corporation that they may wish to tender notes of The City of New York to the Corporation for their own account, pursuant to the Exchange Offer.
This is to advise you that: (1) the Exchange Offer is made for all outstanding notes of The City of New York having maturity dates specified in the Official Statement, which were not, on November 26, 1975, subject to the Amended and Restated Agreement made as of November 26, 1975; and (2) the Corporation has undertaken to waive the condition that a Clearing House Bank make the representation contained in the third paragraph on page 2 of the Letter of Transmittal, a copy of which is enclosed herewith, and to accept Letters of Transmittal with the said paragraph deleted but otherwise duly completed and delivered, provided that such Clearing House Bank submits with the Letter of Transmittal and the notes of the City being tendered an affidavit in the form enclosed herewith.

Therefore, the Corporation hereby authorizes and directs the United States Trust Company of New York to accept tenders of notes of the City by the Clearing House Banks accordingly.

Very truly yours,

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

[Signature]

Stephen J. Weinstein
Deputy Executive Director

Enclosures

SJW:ba

cc: Clearing House Banks
(See attached list.)
STATE OF NEW YORK  
)  
) S S  
COUNTY OF NEW YORK  

, being duly sworn, deposes and says:

(Name of Bank Officer)

1. I reside at 
   (Residence Address, City, State, Zip Code)

2. I am 
   (Office Held)
   and I am authorized to execute this Affidavit on 
   behalf of 
   (Name of Bank) (the "Bank").

3. The Bank is the owner of notes of the City of New York referred to in the Letter of Transmittal to which this Affidavit is attached. Such notes (the "Tendered Notes") are being tendered to the Municipal Assistance Corporation For The City of New York (the "Corporation") simultaneously with the execution and delivery of this Affidavit.

4. The Tendered Notes were not owned, directly or indirectly, by the Bank, on November 26, 1975.

5. The Bank has no reason to believe that the Tendered Notes were owned, directly or indirectly, on November 26, 1975 by any other of the banks that are members of the New York City Clearing House Association, Inc., any of the five New York City Pension Funds or any of the New York City Sinking Funds, each of which is a party to a certain Amended and Restated Agreement made as of November 26, 1975.

6. This Affidavit is being delivered to the Corporation for the purpose of inducing such Corporation to accept the Tendered Notes pursuant to the Exchange Offer referred to in the Letter of Transmittal and to issue the 1977 Series 7 Bonds of the Corporation in exchange therefor.

(Signature)

Subscribed and sworn to before the undersigned, a notary public in and for the State and County aforesaid, this _______ day of ________ 1977.

My Commission expires
ORDER AS TO CUSTODY OF CITY NOTES

March 30, 1977

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 as of March 22, 1977, in connection with the offer of the Corporation to exchange 1977 Series 7 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 March 22, 1977, you will from time to time be acknowledging receipt on behalf of the Corporation of City Notes as such City Notes are accepted by the Corporation and 1977 Series 7 Bonds are issued and delivered in exchange therefor.

The Corporation hereby authorizes and directs you, as Exchange Agent, to place upon the back of each of the City Notes so accepted by the Corporation and held by you
United States Trust Company
of New York

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 March 22, 1977
and expiring April 7, 1977."

The Corporation further instructs you to deliver
the City Notes, in the amounts the receipt of which you
have from time to time acknowledged, 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 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 as of March 22,
1977 in connection with the offer of the Corporation to
exchange 1977 Series 7 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 March 22,
1977, hereby acknowledges receipt on behalf of the Corporation
of City Notes in the aggregate principal amount of $10,235,000
tendered pursuant to the Exchange Offer and of Early Delivery
and Waiver Forms from the tendering holders of such City
Notes and hereby 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.

IN WITNESS WHEREOF, I have hereunto set my hand
and the seal of United States Trust Company of New York
this 30th day of March, 1977.

Malcolm J. Hood, Vice President

UNITED STATES TRUST COMPANY
OF NEW YORK, As Exchange Agent

(SEAL)

ATTEST:

Assistant Secretary
RECEIPT FOR BONDS


IN WITNESS WHEREOF, this receipt has been executed this 30th day of March, 1977.

UNITED STATES TRUST COMPANY OF NEW YORK

By
Malcolm J. Hood, Vice President
1977 Series 7 Bonds (the "1977 Bonds"); offered in exchange for up to $400,000,000 of certain notes of The City of New York (the "City Notes") in an aggregate principal amount equal to the aggregate principal amount of City Notes exchanged pursuant to the Exchange Offer. The Corporation may, but is not obligated to, accept for exchange additional City Notes if more than $400,000,000 principal amount of City Notes is tendered. An aggregate of $983,825,000 principal amount of City Notes is outstanding with respect to which the 1977 Bonds may be issued.

The 1977 Bonds shall bear interest from April 7, 1977 at the rate of 9 3/4% per annum, payable semi-annually on the first day of January and July of each year, commencing July 1, 1977 until maturity on July 1, 1992. Each 1977 Bond is subject to redemption at the election of the Corporation on and after July 1, 1980 as a whole or in part, by lot, on any interest payment date, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued interest to the date of redemption:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102 1/2%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

The 1977 Bonds are further subject to redemption, in part, by lot, on July 1 of each year commencing July 1, 1983, 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 pay to any securities broker or dealer who is a member of a national securities exchange in the United States or of the National Association of Securities Dealers, Inc. ("NASD") or to a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or to any foreign broker or dealer not eligible for membership in the NASD who is registered under the Exchange
Act, in each case which agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States ("Soliciting Dealers"), the name of which Soliciting Dealer appears in the appropriate space in the Letter of Transmittal, a solicitation fee of $20 for each $1,000 principal amount of City Notes properly tendered and accepted pursuant to the Exchange Offer. Soliciting Dealers shall not be agents of the Corporation, the Trustee or the Exchange Agent for purposes of the Exchange Offer.
CERTIFICATE OF THE MAYOR AND COMPTROLLER OF
THE CITY OF NEW YORK AS TO THE DELIVERY OF THE
CORPORATION'S 1977 SERIES 7 BONDS IN AN AMOUNT
UP TO $983,825,000

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 legis-
lative 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 March, 1977.

[Signature]
Mayor of The City of New York

(SEAL)

[Signature]
Comptroller of The City of New York
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.

LETTER OF TRANSMITTAL
To Accompany Notes of
THE CITY OF NEW YORK
Tendered Pursuant to the Exchange Offer

The Offer Will Terminate at 3:30 P.M., New York City Time, on April 7, 1977 unless earlier fully subscribed (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.

TENDERS WILL BE ACCEPTED ON A FIRST-COME, FIRST-SERVED BASIS.
PLEASE READ CAREFULLY THE TENDER PROVISIONS, THE ASSIGNMENT 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 Holder(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)
Telephone Number (Area code)

Total Principal Amount $

Tenders should be made as follows:

EXCHANGE AGENT

By hand:
UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
20th Floor
New York, New York 10038
Attention: Corporate Trust and Agency Services
(MAC Exchange)
(212) 425-4500 Ext. 2433

By mail:
UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038
Attention: Corporate Trust and Agency Services
(MAC Exchange)
(212) 425-4500 Ext. 2433

Please read carefully the tender provisions, the assignment and the instructions contained in this Letter of Transmittal and then fill in the blanks and sign in the space 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. The Exchange Agent may be contacted by telephone at the number shown above. 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.

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 certain 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 March 22, 1977 (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 of action with respect to or arising out of the obligation to pay the principal of the Notes accepted by the Corporation. Except for the withdrawal rights stated in the Official Statement, this tender is irrevocable and unconditional.

The undersigned hereby further represents and warrants that the Notes are not tendered for the account of one of the eleven commercial banks which are members of the New York Clearing House Association, Inc. or the five New York City Pension Funds, all of which are parties to the Amended and Restated Agreement with the Corporation dated November 28, 1978.

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 to the Corporation all right, title and interest in the Notes; 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 unpaid interest on the Notes accepted, accrued from the Expiration Date of the Exchange Offer, at the stated rate to the stated maturity date of the Notes and at the rate of 6 percent (6%) a year from the stated maturity date of such Notes to the Expiration Date of the Exchange Offer, 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, on the Notes accepted pursuant to the Exchange Offer in the event interest is not paid by the City within one (1) month following the Expiration Date, 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.

Very truly yours,

Signed by the Tendering Holder(s) in the space provided on page 4.

* * * * * *

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.

Instruction B — METHOD OF DELIVERY

The Exchange Agent shall accept tendered City Notes commencing on March 25, 1977. City Notes may be delivered to the Exchange Agent in advance of such date, provided, however, that such City Notes shall be
deemed to have been tendered on March 25, 1977. Delivery of the Notes may be effected by one of the following methods:

1. Delivery to the Exchange Agent (by mail or by hand), at the address 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.

2. Delivery to the Exchange Agent by a securities broker or dealer who is a member of a national securities exchange in the United States of America (the "United States") or of the National Association of Securities Dealers, Inc. ("NASD") or by a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or by any foreign broker or dealer not eligible for membership in the NASD who is registered under the Exchange Act, in each case who agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States (each of the above herein called a "Broker/Dealer") if such Broker/Dealer 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 3:30 P.M., New York City Time, on the eighth day following the Expiration Date, and the same are actually so delivered. The date of receipt of such telegram or other written notice by the Exchange Agent shall be deemed the date of tender for the purpose of acceptance of City Notes on a first-come, first-served basis.

Instruction C — REGISTRATION DIRECTIONS

Unless otherwise specified in the box "SPECIAL REGISTRATION INSTRUCTIONS", the Bonds will be registered in the name(s) of the tendering holder(s) specified in the box under the caption "DESCRIPTION OF CITY NOTES TENDERED". If more than one name is specified, the Bonds will be registered in such names as Joint Tenants with right of survivorship and not as Tenants in Common unless otherwise instructed. If registration is to be made otherwise than to the Tendering Holder(s), the box "SPECIAL REGISTRATION INSTRUCTIONS" must be completed in full. If the Bonds are to be issued in coupon form, the box "DIRECTION FOR ISSUANCE OF COUPON BONDS" must be checked, and the Bonds must be picked up by hand at the office of the Exchange Agent.

Instruction D — SIGNATURES

This Letter of Transmittal must be signed by the person(s) tendering the Notes in the space(s) provided on page 4.

Instruction E — SOLICITED TENDERS

The Corporation will pay to any Soliciting Dealer whose name appears on page 4 hereof in the box "SOLICITED TENDERS" a fee at the rate of $20 per $1,000 principal amount of City Notes under the Exchange Offer which have been tendered in proper form through such Dealer's efforts; provided, however, that such a fee will be paid only with respect to transactions in jurisdictions where such payment may legally be made.

Instruction F — GENERAL

The Corporation reserves full discretion to determine whether the documentation with respect to the Notes is complete and generally to determine all questions as to tenders, including the date and time of receipt of a tender, the order of receipt of tenders, 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 Notes will be returned by the Exchange Agent, unless irregularities are waived, without cost to the tendering holder.

All information must be clearly printed or typed.

Delivery of Bonds in accordance with the terms of the Exchange Offer will be made as described in the Official Statement under the heading "EXCHANGE OFFER — TENDER PROCEDURES." The Bonds to be delivered pursuant to the Exchange Offer will be mailed by the Exchange Agent to the address appearing in the box under the 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. If the box "DIRECTION FOR ISSUANCE OF COUPON BONDS" is checked, coupon bonds must be picked up at United States Trust Company of New York, 130 John Street, New York, New York. The Corporation has been informed that checks to be delivered in payment of interest accrued on the accepted Notes as described in the Official Statement will be mailed by the City 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 such checks will be mailed to the address appearing therein. Unaccepted Notes, if any, will be returned to the tendering holder at the address appearing in the box "DESCRIPTION OF CITY NOTES TENDERED."
SPECIAL REGISTRATION INSTRUCTIONS (See Instructions C and F)  
(Use only if Bonds are not to be registered in the name of the tendering holder(s) specified above.)  
(All information must be typed or printed.)

Register in the name(s) of:

Name(s) ..................................................................................................................

(Use full given name(s), middle initial and last name)

Address ...................................................................................................................

(Number) .............................................................................................................

(Street) ..............................................................................................................

(City) ...................................................................................................................

(State) ............................................................................................................... (Zip)

DIRECTION FOR ISSUANCE OF COUPON BONDS  
(See Instructions C and F)

If the Bonds are to be issued in Coupon form, all of which must be picked up by hand at United States Trust Company of New York, Corporate Trust and Agency Services (MAC Exchange) 20th Floor, 130 John Street, New York, New York, check this box □

SIGNATURE (All Tendering Holder(s) must sign. See Instruction D)

□ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ □ ^

To Be Used Only If City Notes Are Not Transmitted Herewith

The undersigned, a Broker/Dealer as defined in Instruction B above, guarantees to deliver to you by 3:30 P.M., New York City Time, on the eighth day following the Expiration Date, the Notes bearing the serial numbers set forth on page one hereof tendered by this Letter of Transmittal.

(Firm — Please Print)

(Authorized Signature)

(Address)

(Area Code and Telephone Number)

SOLICITED TENDERS (See Instruction E)

The undersigned represents that the securities broker or dealer who is a member of a national securities exchange in the United States or who is a member of the National Association of Securities Dealers, Inc. (“NASD”) or who is a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or who is a foreign broker or dealer not eligible for membership in the NASD but who is registered under the Exchange Act, in each case who agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States (each of the above herein called a "Soliciting Dealer"), who solicited and obtained this tender is:

Name of Firm

Name of Individual

Address

(Zip Code)

The acceptance of compensation by such Soliciting Dealer will constitute a representation that such Soliciting Dealer has not engaged in any activity prohibited by the Securities Exchange Act of 1934 or the applicable rules and regulations thereunder in connection with such solicitation and has not used any solicitation material not authorized by the Corporation and that such Soliciting Dealer is entitled to such compensation in accordance with the provisions of the Offer.
This Letter of Transmittal is for use only in connection with the tender of City Notes with a stated maturity date of FEBRUARY 13, 1976.

LETTER OF TRANSMITTAL
To Accompany Notes of
THE CITY OF NEW YORK
Tendered Pursuant to the Exchange Offer

The Offer Will Terminate at 3:30 P.M., New York City Time, on April 7, 1977 unless earlier fully subscribed (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.

TENDERS WILL BE ACCEPTED ON A FIRST-COME, FIRST-SERVED BASIS. PLEASE READ CAREFULLY THE TENDER PROVISIONS, THE ASSIGNMENT AND THE INSTRUCTIONS ON THE INSIDE PAGES.

<table>
<thead>
<tr>
<th>DESCRIPTION OF CITY NOTES TENDERED (See Instruction A)</th>
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<tbody>
<tr>
<td>Name(s) and Address of Tendering Holder(s) (All information must be typed or printed)</td>
</tr>
<tr>
<td>Notes Enclosed (Attach list if necessary)</td>
</tr>
<tr>
<td>Note No.</td>
</tr>
<tr>
<td>$</td>
</tr>
</tbody>
</table>

Tenders should be made as follows:

EXCHANGE AGENT

By hand:
UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
20th Floor
New York, New York 10038
Attention: Corporate Trust and Agency Services (MAC Exchange)
(212) 425-4500 Ext. 2433

By mail:
UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038
Attention: Corporate Trust and Agency Services (MAC Exchange)
(212) 425-4500 Ext. 2433

Please read carefully the tender provisions, the assignment and the instructions contained in this Letter of Transmittal and then fill in the blanks and sign in the space 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. The Exchange Agent may be contacted by telephone at the number shown above. 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.

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 certain 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 March 22, 1977 (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 of action with respect to or arising out of the obligation to pay the principal of the Notes accepted by the Corporation. Except for the withdrawal rights stated in the Official Statement, this tender is irrevocable and unconditional.

The undersigned hereby further represents and warrants that the Notes are not tendered for the account of one of the eleven commercial banks which are members of the New York Clearing House Association, Inc. or the five New York City Pension Funds, all of which are parties to the Amended and Restated Agreement with the Corporation dated November 26, 1975.

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 to the Corporation all right, title and interest in the Notes; 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 unpaid interest on the Notes accepted, accrued from the Expiration Date of the Exchange Offer, at the stated rate to the stated maturity date of the Notes and at the rate of 6 percent (6%) a year from the stated maturity date of such Notes to the Expiration Date of the Exchange Offer, 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, on the Notes accepted pursuant to the Exchange Offer in the event interest is not paid by the City within one (1) month following the Expiration Date, 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.

Very truly yours,

Signed by the Tendering Holder(s) in the space provided on page 4.

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.

Instruction B — METHOD OF DELIVERY

The Exchange Agent shall accept tendered City Notes commencing on March 25, 1977. City Notes may be delivered to the Exchange Agent in advance of such date, provided, however, that such City Notes shall be
deemed to have been tendered on March 25, 1977. Delivery of the Notes may be effected by one of the following methods:

(1) Delivery to the Exchange Agent (by mail or by hand), at the address 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.

(2) Delivery to the Exchange Agent by a securities broker or dealer who is a member of a national securities exchange in the United States of America (the "United States") or of the National Association of Securities Dealers, Inc. ("NASD") or by a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or by any foreign broker or dealer not eligible for membership in the NASD who is registered under the Exchange Act, in each case who agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States (each of the above herein called a "Broker/Dealer") if such Broker/Dealer 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 3:30 P.M., New York City Time, on the eighth day following the Expiration Date, and the same are actually so delivered. The date of receipt of such telegram or other written notice by the Exchange Agent shall be deemed the date of tender for the purpose of acceptance of City Notes on a first-come, first-served basis.

Instruction C — REGISTRATION DIRECTIONS

Unless otherwise specified in the box “SPECIAL REGISTRATION INSTRUCTIONS”, the Bonds will be registered in the name(s) of the tendering holder(s) specified in the box under the caption “DESCRIPTION OF CITY NOTES TENDERED”. If more than one name is specified, the Bonds will be registered in such names as Joint Tenants with right of survivorship and not as Tenants in Common unless otherwise instructed. If registration is to be made otherwise than to the Tendering Holder(s), the box “SPECIAL REGISTRATION INSTRUCTIONS” must be completed in full. If the Bonds are to be issued in coupon form, the box “DIRECTION FOR ISSUANCE OF COUPON BONDS” must be checked, and the Bonds must be picked up by hand at the office of the Exchange Agent.

Instruction D — SIGNATURES

This Letter of Transmittal must be signed by the person(s) tendering the Notes in the space(s) provided on page 4.

Instruction E — SOLICITED TENDERS

The Corporation will pay to any Soliciting Dealer whose name appears on page 4 hereof in the box “SOLICITED TENDERS” a fee at the rate of $20 per $1,000 principal amount of City Notes under the Exchange Offer which have been tendered in proper form through such Dealer’s efforts; provided, however, that such a fee will be paid only with respect to transactions in jurisdictions where such payment may legally be made.

Instruction F — GENERAL

The Corporation reserves full discretion to determine whether the documentation with respect to the Notes is complete and generally to determine all questions as to tenders, including the date and time of receipt of a tender, the order of receipt of tenders, 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 Notes will be returned by the Exchange Agent, unless irregularities are waived, without cost to the tendering holder.

All information must be clearly printed or typed.

Delivery of Bonds in accordance with the terms of the Exchange Offer will be made as described in the Official Statement under the heading “EXCHANGE OFFER — TENDER PROCEDURES.” The Bonds 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. If the box “DIRECTION FOR ISSUANCE OF COUPON BONDS” is checked, coupon bonds must be picked up at United States Trust Company of New York, 130 John Street, New York, New York. The Corporation has been informed that checks to be delivered in payment of interest accrued on the accepted Notes as described in the Official Statement will be mailed by the City 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 such checks will be mailed to the address appearing therein. Unaccepted Notes, if any, will be returned to the tendering holder at the address appearing in the box “DESCRIPTION OF CITY NOTES TENDERED.”
SPECIAL REGISTRATION INSTRUCTIONS (See Instructions C and F)
(Use only if Bonds are not to be registered in the name of the tendering holder(s) specified above.)
(All information must be typed or printed.)

Register in the name(s) of:

Name(s) ..........................................

(Use full given name(s), middle initial and last name)

Address ...........................................

(Number) ...........................................

(City) ...........................................

(State) ...........................................

(Street) ...........................................

(Zip) ...........................................

DIRECTION FOR ISSUANCE
OF COUPON BONDS
(See Instructions C and F)

If the Bonds are to be issued in Coupon form, all of which must be picked up by hand at United States Trust Company of New York, Corporate Trust and Agency Services (MAC Exchange) 20th Floor, 130 John Street, New York, New York, check this box □

SIGNATURE (All Tendering Holder(s) must sign. See Instruction D)

... → ...

... → ...

(Signature(s))

Dated .................. 1977

To Be Used Only If City Notes Are Not Transmitted Herewith

The undersigned, a Broker/Dealer as defined in Instruction B above, guarantees to deliver to you by 3:30 P.M., New York City Time, on the eighth day following the Expiration Date, the Notes bearing the serial numbers set forth on page one hereof tendered by this Letter of Transmittal.

(Firm — Please Print)

(Authorized Signature)

(Address)

(Area Code and Telephone Number)

SOLICITED TENDERS (See Instruction E)

The undersigned represents that the securities broker or dealer who is a member of a national securities exchange in the United States or who is a member of the National Association of Securities Dealers, Inc. ("NASD") or who is a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or who is a foreign broker or dealer not eligible for membership in the NASD but who is registered under the Exchange Act, in each case who agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States (each of the above herein called a "Soliciting Dealer"), who solicited and obtained this tender is:

Name of Firm ..........................................

Name of Individual ..........................................

Address ..........................................

(Zip Code)

The acceptance of compensation by such Soliciting Dealer will constitute a representation that such Soliciting Dealer has not engaged in any activity prohibited by the Securities Exchange Act of 1934 or the applicable rules and regulations thereunder in connection with such solicitation and has not used any solicitation material not authorized by the Corporation and that such Soliciting Dealer is entitled to such compensation in accordance with the provisions of the Offer.
This Letter of Transmittal is for use only in connection with the tender of City Notes with a stated maturity date of March 12, 1970.

**LETTER OF TRANSMITTAL**

To Accompany Notes of

**THE CITY OF NEW YORK**

Tendered Pursuant to the Exchange Offer

The Offer Will Terminate at 3:30 P.M., New York City Time, on April 7, 1977 unless earlier fully subscribed (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.

**TENDERS WILL BE ACCEPTED ON A FIRST-COME, FIRST-SERVED BASIS. PLEASE READ CAREFULLY THE TENDER PROVISIONS, THE ASSIGNMENT AND THE INSTRUCTIONS ON THE INSIDE PAGES.**

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<tr>
<td>Name(s)</td>
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<tr>
<td>Address (Number) (Street)</td>
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<tr>
<td>(City) (State) (Zip)</td>
</tr>
<tr>
<td>Telephone Number ( ) (Area code)</td>
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<td>Principal Amount</td>
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</tr>
<tr>
<td>Total Principal Amount $</td>
</tr>
</tbody>
</table>

Tenders should be made as follows:

**By hand:**

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
20th Floor
New York, New York 10038
Attention: Corporate Trust and Agency Services
(MAC Exchange)
(212) 425-4500 Ext. 2433

**EXCHANGE AGENT**

**By mail:**

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038
Attention: Corporate Trust and Agency Services
(MAC Exchange)
(212) 425-4500 Ext. 2433

Please read carefully the tender provisions, the assignment and the instructions contained in this Letter of Transmittal and then fill in the blanks and sign in the space 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. The Exchange Agent may be contacted by telephone at the number shown above. 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.

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 certain 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 March 22, 1977 (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 of action with respect to or arising out of the obligation to pay the principal of the Notes accepted by the Corporation. Except for the withdrawal rights stated in the Official Statement, this tender is irrevocable and unconditional.

The undersigned hereby further represents and warrants that the Notes are not tendered for the account of one of the eleven commercial banks which are members of the New York Clearing House Association, Inc. or the five New York City Pension Funds, all of which are parties to the Amended and Restated Agreement with the Corporation dated November 26, 1975.

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 to the Corporation all right, title and interest in the Notes; 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 unpaid interest on the Notes accepted, accrued from the Expiration Date of the Exchange Offer, at the stated rate to the stated maturity date of the Notes and at the rate of 6 percent (6%) a year from the stated maturity date of such Notes to the Expiration Date of the Exchange Offer, 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, on the Notes accepted pursuant to the Exchange Offer in the event interest is not paid by the City within one (1) month following the Expiration Date, 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.

Very truly yours,

Signed by the Tendering Holder(s) in the space provided on page 4.

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.

Instruction B — METHOD OF DELIVERY

The Exchange Agent shall accept tendered City Notes commencing on March 25, 1977. City Notes may be delivered to the Exchange Agent in advance of such date, provided, however, that such City Notes shall be
deemed to have been tendered on March 25, 1977. Delivery of the Notes may be effected by one of the following methods:

(1) Delivery to the Exchange Agent (by mail or by hand), at the address 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.

(2) Delivery to the Exchange Agent by a securities broker or dealer who is a member of a national securities exchange in the United States of America (the "United States") or of the National Association of Securities Dealers, Inc. ("NASD") or by a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or by any foreign broker or dealer not eligible for membership in the NASD who is registered under the Exchange Act, in each case who agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States (each of the above herein called a "Broker/Dealer") if such Broker/Dealer 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 3:30 P.M., New York City Time, on the eighth day following the Expiration Date, and the same are actually so delivered. The date of receipt of such telegram or other written notice by the Exchange Agent shall be deemed the date of tender for the purpose of acceptance of City Notes on a first-come, first-served basis.

Instruction C — REGISTRATION DIRECTIONS

Unless otherwise specified in the box "SPECIAL REGISTRATION INSTRUCTIONS", the Bonds will be registered in the name(s) of the tendering holder(s) specified in the box under the caption "DESCRIPTION OF CITY NOTES TENDERED". If more than one name is specified, the Bonds will be registered in such names as Joint Tenants with right of survivorship and not as Tenants in Common unless otherwise instructed. If registration is to be made otherwise than to the Tendering Holder(s), the box "SPECIAL REGISTRATION INSTRUCTIONS" must be completed in full. If the Bonds are to be issued in coupon form, the box "DIRECTION FOR ISSUANCE OF COUPON BONDS" must be checked, and the Bonds must be picked up by hand at the office of the Exchange Agent.

Instruction D — SIGNATURES

This Letter of Transmittal must be signed by the person(s) tendering the Notes in the space(s) provided on page 4.

Instruction E — SOLICITED TENDERS

The Corporation will pay to any Soliciting Dealer whose name appears on page 4 hereof in the box "Soliciting Tenders" a fee at the rate of $20 per $1,000 principal amount of City Notes under the Exchange Offer which have been tendered in proper form through such Dealer's efforts; provided, however, that such a fee will be paid only with respect to transactions in jurisdictions where such payment may legally be made.

Instruction F — GENERAL

The Corporation reserves full discretion to determine whether the documentation with respect to the Notes is complete and generally to determine all questions as to tenders, including the date and time of receipt of a tender, the order of receipt of tenders, 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 Notes will be returned by the Exchange Agent, unless irregularities are waived, without cost to the tendering holder.

All information must be clearly printed or typed.

Delivery of Bonds in accordance with the terms of the Exchange Offer will be made as described in the Official Statement under the heading "EXCHANGE OFFER — TENDER PROCEDURES." The Bonds to be delivered pursuant to the Exchange Offer will be mailed by the Exchange Agent to the address appearing in the box under the 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. If the box "DIRECTION FOR ISSUANCE OF COUPON BONDS" is checked, coupon bonds must be picked up at United States Trust Company of New York, 130 John Street, New York, New York. The Corporation has been informed that checks to be delivered in payment of interest accrued on the accepted Notes as described in the Official Statement will be mailed by the City 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 such checks will be mailed to the address appearing therein. Unaccepted Notes, if any, will be returned to the tendering holder at the address appearing in the box "DESCRIPTION OF CITY NOTES TENDERED."
SPECIAL REGISTRATION INSTRUCTIONS (See Instructions C and F)  
(Use only if Bonds are not to be registered in the name of the tendering holder(s) specified above.)  
(All information must be typed or printed.)  

Register in the name(s) of:  

Name(s)  

(Use full given name(s), middle initial and last name)  

Address  

(Number)  

(Street)  

(City)  

(State)  

(Zip)  

DIRECTION FOR ISSUANCE OF COUPON BONDS  
(See Instructions C and F)  

If the Bonds are to be issued in Coupon form, all of which must be picked up by hand at United States Trust Company of New York, Corporate Trust and Agency Services (MAC Exchange) 20th Floor, 130 John Street, New York, New York, check this box □  

SIGNATURE (All Tendering Holder(s) must sign. See Instruction D)  

[Signature(s)]  

Dated 1977  

To Be Used Only If City Notes Are Not Transmitted Herewith  
The undersigned, a Broker/Dealer as defined in Instruction B above, guarantees to deliver to you by 3:30 P.M., New York City Time, on the eighth day following the Expiration Date, the Notes bearing the serial numbers set forth on page one hereof tendered by this Letter of Transmittal.  

(Firm — Please Print)  

(Authorized Signature)  

(Address)  

(Area Code and Telephone Number)  

SOLICITED TENDERS (See Instruction E)  

The undersigned represents that the securities broker or dealer who is a member of a national securities exchange in the United States or who is a member of the National Association of Securities Dealers, Inc. ("NASD") or who is a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or who is a foreign broker or dealer not eligible for membership in the NASD but who is registered under the Exchange Act, in each case who agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States (each of the above herein called a "Soliciting Dealer"), who solicited and obtained this tender is:  

Name of Firm  

Name of Individual  

Address  

(Zip Code)  

The acceptance of compensation by such Soliciting Dealer will constitute a representation that such Soliciting Dealer has not engaged in any activity prohibited by the Securities Exchange Act of 1934 or the applicable rules and regulations thereunder in connection with such solicitation and has not used any solicitation material not authorized by the Corporation and that such Soliciting Dealer is entitled to such compensation in accordance with the provisions of the Offer.  

...
This Letter of Transmittal is for use only in connection with the tender of City Notes with a stated maturity date of JANUARY 12, 1976.

LETTER OF TRANSMITTAL

To Accompany Notes of

THE CITY OF NEW YORK

Tendered Pursuant to the Exchange Offer

The Offer Will Terminate at 3:30 P.M., New York City Time, on April 7, 1977 unless earlier fully subscribed (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.

TENDERS WILL BE ACCEPTED ON A FIRST-COME, FIRST-SERVED BASIS.
PLEASE READ CAREFULLY THE TENDER PROVISIONS, THE ASSIGNMENT AND THE INSTRUCTIONS ON THE INSIDE PAGES.

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</tr>
<tr>
<td>(Number)</td>
</tr>
<tr>
<td>(City)</td>
</tr>
<tr>
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</tr>
<tr>
<td>(Area code)</td>
</tr>
<tr>
<td>Total Principal Amount</td>
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</tbody>
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Tenders should be made as follows:

EXCHANGE AGENT

By hand: UNITED STATES TRUST COMPANY OF NEW YORK
130 John Street
20th Floor
New York, New York 10038
Attention: Corporate Trust and Agency Services (MAC Exchange)
(212) 425-4500 Ext. 2433

By mail:

UNITED STATES TRUST COMPANY
OF NEW YORK
130 John Street
New York, New York 10038
Attention: Corporate Trust and Agency Services (MAC Exchange)
(212) 425-4500 Ext. 2433

Please read carefully the tender provisions, the assignment and the instructions contained in this Letter of Transmittal and then fill in the blanks and sign in the space 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. The Exchange Agent may be contacted by telephone at the number shown above. 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.

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 certain 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 March 22, 1977 (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 of action with respect to or arising out of the obligation to pay the principal of the Notes accepted by the Corporation. Except for the withdrawal rights stated in the Official Statement, this tender is irrevocable and unconditional.

The undersigned hereby further represents and warrants that the Notes are not tendered for the account of one of the eleven commercial banks which are members of the New York Clearing House Association, Inc. or the five New York City Pension Funds, all of which are parties to the Amended and Restated Agreement with the Corporation dated November 26, 1975.

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 to the Corporation all right, title and interest in the Notes; 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 unpaid interest on the Notes accepted, accrued from the Expiration Date of the Exchange Offer, at the stated rate to the stated maturity date of the Notes and at the rate of 6 percent (6%) a year from the stated maturity date of such Notes to the Expiration Date of the Exchange Offer, 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, on the Notes accepted pursuant to the Exchange Offer in the event interest is not paid by the City within one (1) month following the Expiration Date, 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.

Very truly yours,

Signed by the Tendering Holder(s) in the space provided on page 4.

* * * * * *

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.

Instruction B — METHOD OF DELIVERY

The Exchange Agent shall accept tendered City Notes commencing on March 25, 1977. City Notes may be delivered to the Exchange Agent in advance of such date, provided, however, that such City Notes shall be
deemed to have been tendered on March 25, 1977. Delivery of the Notes may be effected by one of the following methods:

(1) Delivery to the Exchange Agent (by mail or by hand), at the address 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.

(2) Delivery to the Exchange Agent by a securities broker or dealer who is a member of a national securities exchange in the United States of America (the "United States") or of the National Association of Securities Dealers, Inc. ("NASD") or by a Municipal Securities Dealer or Broker as such terms are defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or by any foreign broker or dealer not eligible for membership in the NASD who is registered under the Exchange Act, in each case who agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United States (each of the above herein called a "Broker/Dealer") if such Broker/Dealer 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 3:30 P.M., New York City Time, on the eighth day following the Expiration Date, and the same are actually so delivered. The date of receipt of such telegram or other written notice by the Exchange Agent shall be deemed the date of tender for the purpose of acceptance of City Notes on a first-come, first-served basis.

Instruction C — REGISTRATION DIRECTIONS

Unless otherwise specified in the box "Special Registration Instructions", the Bonds will be registered in the name(s) of the tendering holder(s) specified in the box under the caption "Description of City Notes Tendered". If more than one name is specified, the Bonds will be registered in such names as Joint Tenants with right of survivorship and not as Tenants in Common unless otherwise instructed. If registration is to be made otherwise than to the Tendering Holder(s), the box "Special Registration Instructions" must be completed in full. If the Bonds are to be issued in coupon form, the box "Direction For Issuance of Coupon Bonds" must be checked, and the Bonds must be picked up by hand at the office of the Exchange Agent.

Instruction D — SIGNATURES

This Letter of Transmittal must be signed by the person(s) tendering the Notes in the space(s) provided on page 4.

Instruction E — SOLICITED TENDERS

The Corporation will pay to any Soliciting Dealer whose name appears on page 4 hereof in the box "Solicited Tenders" a fee at the rate of $20 per $1,000 principal amount of City Notes under the Exchange Offer which have been tendered in proper form through such Dealer's efforts; provided, however, that such a fee will be paid only with respect to transactions in jurisdictions where such payment may legally be made.

Instruction F — GENERAL

The Corporation reserves full discretion to determine whether the documentation with respect to the Notes is complete and generally to determine all questions as to tenders, including the date and time of receipt of a tender, the order of receipt of tenders, 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 Notes will be returned by the Exchange Agent, unless irregularities are waived, without cost to the tendering holder.

All information must be clearly printed or typed.

Delivery of Bonds in accordance with the terms of the Exchange Offer will be made as described in the Official Statement under the heading "Exchange Offer — Tender Procedures." The Bonds to be delivered pursuant to the Exchange Offer will be mailed by the Exchange Agent to the address appearing in the box under the 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. If the box "Direction For Issuance of Coupon Bonds" is checked, coupon bonds must be picked up at United States Trust Company of New York, 130 John Street, New York, New York. The Corporation has been informed that checks to be delivered in payment of interest accrued on the accepted Notes as described in the Official Statement will be mailed by the City 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 such checks will be mailed to the address appearing therein. Unaccepted Notes, if any, will be returned to the tendering holder at the address appearing in the box "Description of City Notes Tendered."
SPECIAL REGISTRATION INSTRUCTIONS (See Instructions C and F)
(Use only if Bonds are not to be registered in the name of the tendering holder(s) specified above.)
(All information must be typed or printed.)

Register in the name(s) of:

Name(s) ............................................................

(Use full given name(s), middle initial and last name)

Address .............................................................

(Number) .........................................................

(City) ...............................................................

(State) .............................................................

(Street) ..........................................................

(Zip) ..............................................................

DIRECTION FOR ISSUANCE
OF COUPON BONDS
(See Instructions C and F)

If the Bonds are to be issued in Coupon form, all of which must be picked up by hand
at United States Trust Company of New York,
Corporate Trust and Agency Services (MAC
Exchange) 20th Floor, 130 John Street, New
York, New York, check this box ☐

SIGNATURE (All Tendering Holder(s) must sign.
See Instruction D)

Date ..... 1977

To Be Used Only If City Notes Are Not Transmitted Herewith

The undersigned, a Broker/Dealer as defined in Instruction B above, guarantees to deliver to you by
3:30 P.M., New York City Time, on the eighth day following the Expiration Date, the Notes bearing the
serial numbers set forth on page one hereof tendered by this Letter of Transmittal.

(Firm — Please Print)

(Authorized Signature)

(Address)

(Area Code and Telephone Number)

SOLICITED TENDERS (See Instruction E)

The undersigned represents that the securities broker or dealer who is a member of a national
securities exchange in the United States or who is a member of the National Association of Securities
Dealers, Inc. ("NASD") or who is a Municipal Securities Dealer or Broker as such terms are defined in the
Securities Exchange Act of 1934, as amended (the "Exchange Act"), or who is a foreign broker or dealer
not eligible for membership in the NASD but who is registered under the Exchange Act, in each case
who agrees to conform to the Rules of Fair Practice of the NASD in soliciting tenders in the United
States (each of the above herein called a "Soliciting Dealer"), who solicited and obtained this tender is:

Name of Firm ....................................................

Name of Individual ...........................................

Address ..........................................................

(Zip Code)

The acceptance of compensation by such Soliciting Dealer will constitute a representation that such
Soliciting Dealer has not engaged in any activity prohibited by the Securities Exchange Act of 1934 or
the applicable rules and regulations thereunder in connection with such solicitation and has not used any
solicitation material not authorized by the Corporation and that such Soliciting Dealer is entitled to such
compensation in accordance with the provisions of the Offer.
CERTIFICATE OF THE
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
AS TO PUBLICATION OF NOTICES OF
EXCHANGE OFFER

I, STEPHEN WEINSTEIN, 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 and at the times specified in the Schedule annexed hereto as Exhibit 2.

3. An advertisement, substantially in the form of the advertisement annexed hereto as Exhibit 3, was published
in the publications referred to and at the times specified in the Schedule annexed hereto as Exhibit 4.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Corporation this 30th day of March, 1977.

[Signature]

Stephen Weinstein, 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)

9½% 1977 Series 7 Bonds due July 1, 1992

To the Holders of Certain 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 March 22, 1977, the Municipal Assistance Corporation for The City of New York (the "Corporation") is offering to exchange on a first-come, first-served basis, as described in such Official Statement, with holders of up to $250,000,000 principal amount of certain revenue anticipation notes and bond anticipation notes, described in such Official Statement, of The City of New York with stated maturities date of December 11, 1973, January 12, 1976, February 15, 1976, and March 12, 1976, and outstanding on the date hereof (the "City Notes"), its 1977 Series 7 Bonds (the "1977 Series 7 Bonds") in an aggregate principal amount equal to the aggregate principal amount of the City Notes tendered and accepted hereunder. The Corporation may, but is not obligated to, accept for exchange additional City Notes if more than $250,000,000 principal amount of City Notes is tendered and will accept all City Notes tendered on or before March 25, 1977, and all City Notes tendered on the day on which the aggregate of tenders received equals or exceeds $250,000,000 or such greater amount as the Corporation determines to accept. An aggregate of $563,826,000 principal amount of City Notes is outstanding.

Pursuant to exchanging their City Notes pursuant to the Exchange Offer will retain the right to receive from the City the unpaid interest on such tendered City Notes accrued through the Expiration Date (as defined below) of the Exchange Offer. Interest on the 1977 Series 7 Bonds accrues from the Expiration Date.

The 1977 Series 7 Bonds will be issued under the Corporation's Second General Bond Resolution and are payable from certain per capita State Aid, to the extent not required for payment of other obligations of the Corporation, revenues derived from certain taxes 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, as described more fully in the Official Statement.

The Corporation has no taxing power. The 1977 Series 7 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 City's debt nor the taxing powers of the State or the City is pledged for the payment of principal of or interest on the 1977 Series 7 Bonds.

The Exchange Offer will expire at 3:30 PM, New York City Time, on April 7, 1977, unless earlier fully subscribed or unless extended by the Corporation (such date and time, as they may be extended, being referred to as the "Expiration Date"). It is the present intention of the Corporation not to extend the Offer. All tenders are revocable until 5:00 PM, New York City Time, on April 15, 1977, and thereafter are irrevocable.

Holders of City Notes are urged to review the Exchange Offer Official Statement carefully. Subject to the terms and conditions set forth in the Official Statement, those desiring to accept the Exchange Offer may do so by properly completing and executing the appropriate Letter of Transmittal and by mailing or delivering it together with their tendered City Notes so that such Letter and the City Notes are actually received by the Exchange Agent on or before the Expiration Date or by following certain other delivery procedures set forth in the Official Statement.

The Corporation will pay to any qualified Soliciting Dealer (as defined in the Exchange Offer Official Statement) whose name appears in the appropriate space in the Letter of Transmittal a solicitation fee of $20 for each $1,000 principal amount of City Notes properly tendered and accepted pursuant to the Exchange Offer. Tendering holders will not be obligated to pay brokerage commissions, fees or transfer taxes in connection with the exchange of City Notes pursuant to the Exchange Offer.

Copies of the Exchange Offer Official Statement and the Letters of Transmittal may be obtained from the Exchange Agent and at many offices of 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
158 John Street
22nd Floor
New York, N.Y. 10038
Attention: Corporate Trust Department
Agency Services (NDX Exchange)
(212) 425-8400 (Ext. 2413)

March 22, 1977
Notice of Exchange Offer—New York City Notes

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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.
### Notice of Exchange Offer - New York City Notes

**NATIONAL & OTHER PUBLICATIONS**

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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.
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)

9 1/2% 1977 Series 7 Bonds due July 1, 1992

To the Holders of Certain 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 March 22, 1977, the Municipal Assistance Corporation for The City of New York (the "Corporation") is offering to exchange on a first-come, first-served basis, as described in such Official Statement, with holders of up to $250,000,000 principal amount of certain revenue anticipation notes and bond anticipation notes, described in such Official Statement, the Corporation's 9 1/2% 1977 Series 7 Bonds in an aggregate principal amount equal to the aggregate principal amount of the City Notes tendered and accepted hereunder, the Corporation may, but is not obligated to, accept for exchange the nominal $1,000 face amount of City Notes if more than $250,000,000 principal amount of City Notes is tendered and will accept all City Notes tendered on or before March 29, 1977, and all City Notes tendered on the day on which the aggregate of tenders received equals or exceeds $250,000,000 or such greater amount as the Corporation determines to accept. An aggregate of $1,061,325,000 principal amount of City Notes is outstanding.

Persons exchanging their City Notes pursuant to the Exchange Offer will retain the right to receive from the City the accrued interest on such tendered City Notes accrued through the Expiration Date (as defined below) of the Exchange Offer Interest on the 1977 Series 7 Bonds as evidenced in the Exchange Date. The 1977 Series 7 Bonds will be issued under the Corporation's Second General Bond Resolution and are payable from certain revenues derived from certain sales and compensating use taxes imposed by the City of New York within The City of New York and, under certain conditions, the State stock transfer tax, all as described more fully in the Official Statement.

The Corporation has no taxing power. The 1977 Series 7 Bonds do not constitute an enforceable obligation of, or a debt, of either the State of the City and neither the State nor the City shall be liable therefor. Neither the City nor the State nor the City for payment of the principal amount of interest on the 1977 Series 7 Bonds.

The Exchange Offer will expire at 5:30 P.M., New York City Time, on April 7, 1977, unless extended or otherwise extended at the discretion of the Corporation (such date and time, as they may be extended, being referred to as the "Expiration Date"). It is the present intention of the Corporation not to extend the Offer. All tenders must be received by 5:00 P.M., New York City Time, on April 7, 1977, and thereafter are irrevocable.

Holders of City Notes are urged to review the Exchange Offer Official Statement carefully. Subject to the terms and conditions set forth in the Official Statement, those desiring to accept the Exchange Offer may do so by properly completing and executing the appropriate Letter of Transmittal and by mailing or delivering it together with their tendered City Notes so that such letter and City Notes are actually received by the Exchange Agent as of the Expiration Date or before the Expiration Date by such other office or offices as may be designated in the Official Statement.

The Corporation will pay to any qualified transferee (as defined in the Exchange Offer Official Statement) whose name appears in the appropriate space in the Letter of Transmittal a solicitation fee of $20 for the principal amount of City Notes properly tendered and accepted pursuant to the Exchange Offer. Transferees will not be obligated to pay brokerage commissions, fees or transfer taxes in connection with the exchange of City Notes pursuant to the Exchange Offer.

Copies of the Exchange Offer Official Statement and the Letters of Transmittal may be obtained from the Exchange Agent at any office of the Exchange Agent throughout the United States.

It is expected that the 1977 Series 7 Bonds in definitive form will be available for delivery on or about April 7, 1977. Prior to such date, however, fully registered bonds will be available for delivery to those persons whose bonds were tendered for delivery and who agree in writing to waive their right to revoke and withdraw tenders, which right of revocation is described in the Exchange Offer Official Statement. Such 1977 Series 7 Bonds will be registered in the name of the tendering holder unless other registration directions are specified in the Letter of Transmittal and will be issued in the same denominations as the City Notes listed in the Letter of Transmittal. Such fully registered 1977 Series 7 Bonds are expected to be available (i) on or about March 30, 1977, with respect to tenders pursuant to which delivery of City Notes to the Exchange Agent was made prior to 5:00 P.M., New York City Time on March 26, 1977, and (ii) within one to three business days after the date of delivery of City Notes to the Exchange Agent with respect to deliveries made after March 29, 1977. Persons wishing such earlier delivery should complete, execute and deliver to the Exchange Agent the Early Delivery and waiver of Form set forth below, in order to affect such delivery. Such forms must be submitted by 5:00 P.M. New York City Time on March 29, 1977, with respect to the delivery scheduled to take place on March 30, 1977, and by 5:00 P.M. New York City Time on any subsequent date.

Exchange Agent:
UNITED STATES TRUST COMPANY OF NEW YORK

By Hand: 130 John Street 2nd Floor New York, N.Y. 10038
American Corporate Trust and Agency Services (NASDAQ Exchange) (212) 435-5000 (Ext. 2430)

By Mail: 130 John Street New York, N.Y. 10038
American Corporate Trust and Agency Services (NASDAQ Exchange) (212) 435-5000 (Ext. 2430)

EARLY DELIVERY AND WAIVER FORM

For the Exchange Agent:
Notice is hereby given that the Municipal Assistance Corporation for The City of New York in which the undersigned is interested is entitled to the 1977 Series 7 Bonds pursuant to the terms of the Corporation's Exchange Offer Official Statement dated March 22, 1977, and hereby waives the right of revocation in accordance with the Exchange Offer Official Statement and agrees to execute the letter of transmittal as described in the Exchange Offer Official Statement, and agrees to deliver the bonds in accordance with the letter of transmittal as described in the Exchange Offer Official Statement.

DATE: ___________________________

SIGNATURE(S): __________________________

Firm: United States Trust Company of New York

July 1, 1992
Notice Of Exchange Offer With Early Delivered Coupon

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</thead>
<tbody>
<tr>
<td>NEW YORK</td>
<td>New York Times (C&amp;S)</td>
<td>M</td>
<td>5.86</td>
<td>225x4</td>
<td>$5,274.00</td>
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<tr>
<td></td>
<td>Daily News Post</td>
<td>Dly.</td>
<td>9.00</td>
<td>200x4</td>
<td>7,200.00</td>
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<tr>
<td></td>
<td>E</td>
<td>E</td>
<td>3.90</td>
<td></td>
<td>3,120.00</td>
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<td></td>
<td>Newsday</td>
<td>E</td>
<td>3.50</td>
<td></td>
<td>2,800.00</td>
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<td></td>
<td>Buffalo News</td>
<td>E</td>
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<td>255x4</td>
<td>1,581.00</td>
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<td>ARIZONA</td>
<td>Phoenix Republic &amp; Gazette</td>
<td>ME</td>
<td>1.60</td>
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<tr>
<td>CALIFORNIA</td>
<td>Los Angeles Times</td>
<td>M</td>
<td>4.40</td>
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<td>4,048.00</td>
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<tr>
<td></td>
<td>San Francisco Chronicle &amp;</td>
<td>ME</td>
<td>4.24</td>
<td></td>
<td>3,900.80</td>
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<tr>
<td></td>
<td>Examiner</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DISTRICT OF COLUMBIA</td>
<td>Washington Post</td>
<td>M</td>
<td>3.60</td>
<td></td>
<td>3,312.00</td>
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<tr>
<td>FLORIDA</td>
<td>Miami Herald</td>
<td>M</td>
<td>3.74</td>
<td>230x3</td>
<td>2,580.60</td>
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<td></td>
<td>Ft. Lauderdale News &amp; Sun</td>
<td>ME</td>
<td>1.00</td>
<td></td>
<td>690.00</td>
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<tr>
<td></td>
<td>Sentinel</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>St. Petersburg Times</td>
<td>ME</td>
<td>1.33</td>
<td>230x4</td>
<td>1,223.60</td>
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<tr>
<td></td>
<td>Independent</td>
<td></td>
<td></td>
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<tr>
<td>ILLINOIS</td>
<td>Chicago Sun Times</td>
<td>M</td>
<td>3.89</td>
<td>200x4</td>
<td>3,112.00</td>
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<tr>
<td>MASSACHUSETTS</td>
<td>Boston Globe</td>
<td>ME</td>
<td>2.90</td>
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<td>2,668.00</td>
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<tr>
<td>PENNSYLVANIA</td>
<td>Philadelphia Bulletin</td>
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<td>3,277.50</td>
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<td>TEXAS</td>
<td>Dallas News</td>
<td>M</td>
<td>1.45</td>
<td>215x4</td>
<td>1,247.00</td>
</tr>
</tbody>
</table>

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.
Notice Of Exchange Offer With Early Delivered Coupon

NATIONAL & OTHER PUBLICATIONS

The Wall Street Journal:
- Eastern Edition: M $6.65 255x3 $5,087.25
- Midwest Edition: M 5.36
- Western Edition: M 3.34 2,555.10
- Southwest Edition: M 1.91 1,461.15

American Banker: Dly. 2.20 210x3 1,386.00
N.Y. Law Journal: Dly. 1.92 250x3 1,440.00
Bond Buyer: Dly. 1.36 210x3 856.80

$64,393.20

Second Insertion of Original Advertisement
On March 25

NEW YORK
New York Times: M $5.86 190x4 $4,453.60
Post: E 3.90 200x4 3,120.00

$7,573.60

GRAND TOTAL $71,966.80

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.
ORDER TO EXCHANGE AGENT
AS TO DELIVERY OF BONDS

March 30, 1977

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 1977 Series 7 Bonds of the Municipal Assistance Corporation for The City of New York (the "Corporation") in the aggregate principal amount of $10,235,000 (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 March 22, 1977.

As Exchange Agent acting under the Corporation's Irrevocable Letter of Instructions to Exchange Agent dated as of March 22, 1977, you are hereby authorized and directed to deliver the Bonds, together with the opinions of Bond Counsel addressed to the Corporation, to the appropriate persons in accordance with the directions contained in the Letters of Transmittal accompanying the City Notes tendered in exchange for the Bonds and any further directions contained in the Early Delivery and Waiver Forms, if any.

MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK

By: ____________________________
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
February 28, 1977 of the Sales Tax
(p. 4) after deduction of cost of
administering, collecting and
distributing such tax was
$ 931,065,725

2. The most recent collections for the 12
consecutive calendar months ended
February 28, 1977 of the Stock Transfer
Tax (p. 5) after deduction of cost of
administering, collecting and
distributing such tax was
$ 282,578,060

3. The most recent collections for the
12 consecutive calendar months ended
February 28, 1977 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

Total of $1,213,643,785
The total amount of $1,213,643,785 for the twelve (12) consecutive calendar months ended February 28, 1977 as set forth in Paragraph B above (taking into account, among other factors, those factors set forth in Paragraph E & F below), is approximately $50 million more than the revenues expected by me, taking into account the statement set forth in Paragraph D below, for the next succeeding twelve (12) consecutive calendar months from the Sales Tax and Stock Transfer Tax. Therefore, I estimate the amount to be collected in the next consecutive twelve (12) month period to be $1,163,643,785.

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 Stock Transfer Tax revenue or the possible outcome of the Boston Stock Exchange et. al. v. State Tax Commission et. al. 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 $1,163,643,785.

With respect to Sales Tax collections for the twelve (12) consecutive calendar months ended February 28, 1977, several factors occasioned a change in the pattern of revenue flow from the distribution of Sales Tax during the period should be noted. Such factors include the requirement of monthly filing by certain large vendors, the number of monthly sales periods included in collections for such twelve month period, an authorized method of monthly payments on a historical basis and distribution of Sales Tax on such basis.

Commencing March 1976 in addition to regular quarterly reporting, a monthly Sales Tax report and remittance is now required from certain large vendors, i.e. all vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters. As a result of the commencement of such monthly filing in March 1976, the twelve (12) consecutive period ended February 28, 1977 contains 14 months of Sales Tax collections from such large vendors. The 14 months of collections from such large vendors during such prior period is accounted for by the fact that, in addition to the normal quarterly return and remittance due in March 1976, required by such large vendors under prior law which reflected collections during December 1975, January 1976, and February 1976, a return estimating Sales Tax liability for the months of March 1976 was also required to be filed in such months. Accordingly, in the next twelve (12) consecutive calendar
months commencing March 1, 1977 will reflect only twelve (12) months of collections from such large vendors (and will not reflect collections during the preceding January and December due to monthly filing procedures). Additionally, as of March 1976, in making and filing such monthly report and remittance, such large vendors may estimate Sales Tax liability for certain months based upon historical experience rather than upon actual Sales Tax liability for such months. Moreover, commencing March 1976, Sales Tax distribution from remittances for certain months by such large vendors to the Special Tax Account of the corporation is made upon a historical rather than upon an actual basis. As a consequence, in order to reflect actual experience, adjustments to subsequent distributions to such Special Account will be required to be made from time to time during the twelve (12) consecutive calendar months commencing March 1, 1977. During the prior period a reduction of approximately $10.4 million was made to such Special Account to reflect over distribution to such Special Account. The statements herein do 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 March, 1977.

[Signature]

Commissioner of Taxation and Finance

TO: United States Trust Company of New York as Trustee under the Resolution (as defined above).
I, STEPHEN WEINSTEIN, 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 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 $714,092,863.
(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 up to an aggregate principal amount of $983,825,000 of the 1977 Series 7 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>$55,490,905</td>
</tr>
<tr>
<td>1978</td>
<td>131,625,888</td>
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<tr>
<td>1979</td>
<td>175,134,137</td>
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<td>1980</td>
<td>175,132,137</td>
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<tr>
<td>1981</td>
<td>175,126,137</td>
</tr>
<tr>
<td>1982</td>
<td>175,131,337</td>
</tr>
<tr>
<td>1983</td>
<td>185,441,738</td>
</tr>
<tr>
<td>1984</td>
<td>244,868,281</td>
</tr>
<tr>
<td>1985</td>
<td>244,579,637</td>
</tr>
<tr>
<td>1986</td>
<td>244,247,569</td>
</tr>
<tr>
<td>1987</td>
<td>243,785,225</td>
</tr>
<tr>
<td>1988</td>
<td>176,936,263</td>
</tr>
<tr>
<td>1989</td>
<td>176,037,338</td>
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<tr>
<td>1990</td>
<td>175,515,544</td>
</tr>
<tr>
<td>1991</td>
<td>174,896,806</td>
</tr>
<tr>
<td>1992</td>
<td>151,339,869</td>
</tr>
</tbody>
</table>

(c) The aggregate estimated amount of Operating Expenses for the current Fiscal Year is $4,000,000.

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. 22, 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. 23, as representing the actual amount of Per Capita Aid 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 in 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 March, 1977.

[Signature]
Stephen Weinstein, Secretary
(SEAL)
SEE DOCUMENT NO. 1

OF THIS TRANSCRIPT OF PROCEEDINGS
3. The arbitrage certificate, the certificate required pursuant to Section 202 (3) and (4) of the Second General Bond Resolution, and the certificate as to publication, being certificates numbered 7, 20, and 24 of this record of proceedings, are in all respects true and accurate as of the date hereof and I do hereby re-certify every one of the statements made as if made on the date hereof.

4. 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.

5. The Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Second General Bond Resolution of the Corporation adopted November 25, 1975, the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977, or the General Bond Resolution of the Corporation adopted on July 2, 1975, each, as amended.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Corporation this 6th day of April, 1977.

Signature: [Signature]

Official Title: Secretary

Term of Office Expires: Indefinite
I HEREBY CERTIFY that the signature of the officer of the Municipal Assistance Corporation For The City of New York, which appears above is true and genuine and that I know said officer and know him to hold said office set opposite his signature.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Name of Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vice President</td>
<td>United States Trust Company of New York</td>
</tr>
</tbody>
</table>
CERTIFICATE OF CHAIRMAN

I, FELIX ROHATYN, Chairman of the Municipal Assistance Corporation For The City of New York (the "Corporation") DO HEREBY CERTIFY that the 1977 Series 7 Bonds of the Corporation (the "Bonds"), delivered on this day to the Exchange Agent as identified in the Official Statement of the Corporation dated March 22, 1977 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, and, that on the day of such signing, execution and adoption of the signature on the Bonds, I was and am now the duly chosen, qualified and acting officer of the Corporation authorized to execute the Bonds and the Chairman of such Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of April, 1977.

[Signature]
Chairman
SEE DOCUMENT NO. 3

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 4

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 5

OF THIS TRANSCRIPT OF PROCEEDINGS
ORDER TO TRUSTEE AS TO DELIVERY AND
AUTHENTICATION OF BONDS

April 6, 1977

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, $145,450,000 principal amount of 1977 Series 7 Bonds, in definitive form (the "Bonds"), of the Municipal Assistance Corporation For The City of New York (the "Corporation") authorized pursuant to the Second General Bond Resolution adopted November 25, 1975, (herein called "General Resolution") and the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977, and to be delivered in connection with the Exchange Offer of the Corporation described in the Official Statement of the Corporation dated March 22, 1977.

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

[Signature]

By [Signature]
SEE DOCUMENT NO. 7
OF THIS TRANSCRIPT OF PROCEEDINGS
April 6, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

United States Trust Company
of New York, as Trustee under the Second
General Bond Resolution of, and as Exchange
Agent in connection with the Exchange Offer
of, the Municipal Assistance Corporation For
The City of New York, as described in the
Official Statement of such corporation dated
March 22, 1977
130 John Street
New York, New York 10038

Gentlemen:

We have delivered to you an opinion dated March 30,
1977, with respect to the issuance of not in excess of $933,825,000
aggregate principal amount of the 1977 Series 7 Bonds of the
Municipal Assistance Corporation For The City of New York, a
copy of which is annexed hereto. You are entitled to rely on
said opinion as if the same were dated the date hereof.

Very truly yours,

PAUL, WEISS, RIFkind, WHARTON & GARRISON
March 30, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

United States Trust Company
of New York, as Trustee under the Second
General Bond Resolution of, and as Exchange
Agent in connection with the Exchange Offer
(as described herein) of, the Municipal
Assistance Corporation For The City of New York
130 John Street
New York, New York 10038

Gentlemen:

We have been requested by our client, 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 "Corpora-
tion"), to furnish the Corporation our opinion as to the
matters herein set forth in connection with the issuance of
not in excess of $983,825,000 aggregate principal amount of
the Corporation's 1977 Series 7 Bonds (the "Bonds") to per-
sons who properly tender 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 City Notes, its Bonds in an aggregate prin-
cipal amount equal to such aggregate principal amount of the
City Notes tendered thereunder, all as more fully described
in the Official Statement of the Corporation with respect to
the Bonds dated March 22, 1977 (the "Official Statement").

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, the By-laws
of the Corporation and records of its corporate proceedings,
including the Second General Bond Resolution, which was
March 30, 1977

adopted by the Board of Directors of the Corporation (the "Board"), on November 25, 1975, and the 1977 Series 7 Resolution, which was adopted by the Board on March 18, 1977, (the "Resolutions"), the Irrevocable Letter of Instructions to the Exchange Agent dated as of March 22, 1977 (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 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 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 may be limited by bankruptcy or similar laws validly enacted and applicable to the rights of holders of the 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, 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. 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 or similar laws validly enacted and applicable to the rights of holders of the Bonds. 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 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, such Resolutions is required.

9. 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.

10. During the preparation of the Official Statement, we participated in numerous conferences and conversations with officials of the Corporation and have relied upon certain information developed by them, particularly with regard to statements set forth in the Official Statement under the headings "Rights of the Noteholders -- Plan to Provide Repayment" and "Certain Developments Affecting the City", without having undertaken an independent examination or verification of such information. Further we are not in a position to
April 6, 1977

Municipal Assistance Corporation
for The City of New York
Two World Trade Center
New York, New York

United States Trust Company
of New York, as Trustee
130 John Street
New York, New York 10038

Dear Sirs:

We have delivered to the Municipal Assistance Corporation for The City of New York our approving opinion with respect to the 1977 Series 7 Bonds of the Corporation in an aggregate principal amount of not in excess of $983,625,000 which opinion is dated March 30, 1977, and a copy of which is annexed hereto.

You are entitled to rely on said opinion as if the same were addressed to you and dated the date hereof.

Very truly yours,

[Signature]

Hawkins, Doloiifield & Wood
MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
New York, New York

March 30, 1977

Dear Sirs:

We have examined a record of proceedings relating to the issuance of not in excess of $983,825,000 aggregate principal amount of 1977 Series 7 Bonds (the "1977 Series 7 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 1977 Series 7 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 1977 Series 7 Resolution (the "Series Resolution"), adopted March 18, 1977. Said resolutions are herein collectively called the "Resolutions."

The 1977 Series 7 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 General Bond Resolution or as may be limited by law. The 1977 Series 7 Bonds are being issued for the purpose of effecting an exchange of such 1977 Series 7 Bonds for an equal aggregate principal amount of certain short-term obligations of The City of New York ("The City").

The Corporation is authorized to issue Bonds, in addition to the 1977 Series 7 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1977 Series 7 Bonds and with all other such Bonds (in an aggregate principal amount of $616,350,000) heretofore issued, be entitled 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 $298,500,000) subordinate thereto. The Bonds are not on a parity with such bonds. No such other obligations are currently outstanding.

The 1977 Series 7 Bonds are dated January 1, 1977 except as otherwise provided in the Resolutions with respect to fully registered 1977 Series 7 Bonds and will mature on July 1, 1992 and will bear interest from April 7, 1977, at the rate of nine and three-quarters per centum (9¾%) per annum, payable January 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 1977 Series 7 Bonds according to the tenor and upon presentation and surrender of the coupons attached thereto as they respectively become due and payable.

1
The 1977 Series 7 Bonds are issued initially in fully registered form without coupons in denominations which are integral multiples of $5,000 or, under certain conditions, coupon form in the denomination of $5,000 registrable as to principal only, and thereafter either in such fully registered form in the denominations of $5,000 or integral multiples thereof or coupon form in the denomination of $5,000, registrable as to principal only. Coupon and fully registered 1977 Series 7 Bonds (in the aggregate principal amount of $5,000 or integral multiples thereof) are interchangeable as provided in the Resolutions. Coupon 1977 Series 7 Bonds are designated 7- and fully registered 1977 Series 7 Bonds are designated 7R-. Coupon 1977 Series 7 Bonds and fully registered 1977 Series 7 Bonds are numbered consecutively from one upward.

The 1977 Series 7 Bonds are subject to redemption at the election of the Corporation as a whole or in part, on or after July 1, 1980 on any interest payment date as provided in the Resolutions at the redemption prices (set forth as percentages of the principal amount thereof), plus accrued interest to the date of redemption, set forth below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102 1/2%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 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 determined by applying to the aggregate principal amount of 1977 Series 7 Bonds Outstanding as of the date or dates of original issue the percentages set forth below (provided that in each such year the amount to be so redeemed shall be equal to the next highest integral multiple of $5,000), 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 1977 Series 7 Bonds determined as hereinabove set forth:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>6.3502%</td>
</tr>
<tr>
<td>1984</td>
<td>6.9693</td>
</tr>
<tr>
<td>1985</td>
<td>7.6488</td>
</tr>
<tr>
<td>1986</td>
<td>8.3946</td>
</tr>
<tr>
<td>1987</td>
<td>9.2130</td>
</tr>
<tr>
<td>1988</td>
<td>10.1113</td>
</tr>
<tr>
<td>1989</td>
<td>11.0972</td>
</tr>
<tr>
<td>1990</td>
<td>12.1791</td>
</tr>
<tr>
<td>1991</td>
<td>13.3666</td>
</tr>
<tr>
<td>1992</td>
<td>14.6099</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-c 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 Con-
(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, the Stock Transfer Tax, 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 a creditor 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 creditor will not prevail in the court of final jurisdiction.

9. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, moneys on deposit in the Stock Transfer Tax Fund and the Tax Assistance 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 neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of State obligations or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special 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 or applied by the State Comptroller either for the payment of the State obligations or for deposit into such note repayment account. Per capita aid is, under existing law, derived from the General Fund of the State and hence, in the event of a failure to appropriate as above described, revenues of the State, otherwise payable into the General Fund and therefor available for appropriation as per capita aid will be subject to being set apart, or applied as aforesaid.

10. Under existing statutes and court decisions, interest on the 1977 Series 7 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 1977 Series 7 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1977 Series 7 Bonds, and the execution and delivery of the 1977 Series 7 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the form of the 1977 Series 7 Bond numbered 7R-1 and, in our opinion, the form of said Bond is regular and proper.

Very truly yours,

[Hawkins, Delafield & Wood]
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 (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 amount so certified by the Chairman, as aforesaid.

6. The 1977 Series 7 Bonds do not constitute a debt either of the State or of The City, and neither the State nor The City shall be liable thereon, nor shall the 1977 Series 7 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) at least annually to 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 from the Stock Transfer Tax Fund, amount sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out corporate purposes, but the State is not bound or obligated to make such appropriations;
struction 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 1977 Series 7 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 1977 Series 7 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bonds are valid and binding general obligations.
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 public benefit corporation of the State of New York, under and pursuant to the Second General Bond Resolution adopted November 25, 1975, and the 1977 Series 7 Resolution adopted March 18, 1977, 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 and the order of the Corporation dated today, the Trustee has today authenticated and delivered $145,450,000 principal amount of 1977 Series 7 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 received from the Corporation copies of the Resolutions, certified to this day 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 6th day of April, 1977.

UNITED STATES TRUST COMPANY OF NEW YORK

(SEAL)

Malcolm J. Hood, Vice President

Attest:

Assistant Secretary
ARTICLE VII
SIGNING AUTHORITIES

Any officer except the Auditor shall have authority to sign checks on behalf of the Trust Company, to certify checks against funds on deposit with the Trust Company, and to endorse checks, drafts, notes and any orders payable to the Trust Company.

The Chairman, the President, a Vice Chairman 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 Trust Company or in its custody in any capacity and to execute deeds of real estate owned by the Trust Company or in its custody in any capacity.

The Chairman, the President, a Vice Chairman 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 Trust Company indentures and all other instruments under which the Trust Company is to act in a fiduciary capacity, or relating to the Trust Company's acting in a fiduciary capacity, and to execute on behalf of the Trust Company all contracts, releases, forms, assignments, security documents and agreements relating thereto.

The Chairman, the President, a Vice Chairman 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 Trust 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 Trust Company bonds, debentures and other evidences of indebtedness, coupons, certificates, warrants and proxies with respect to which the Trust 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 Trust Company. The President or a Vice Chairman 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 Trust 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 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 Trust Company and subject in each case to such conditions or limitations as the President or a Vice Chairman 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 stocks and bonds, and erasures in connection therewith, execute assignments or endorsements 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 Executive Committee may authorize the use of facsimile signatures on any instrument to be authenticated, executed, countersigned or certified on behalf of the Trust Company.
CARTER, LEDYARD & MILBURN
COUNSELLORS AT LAW
2 WALL STREET
NEW YORK, N.Y. 10005

April 6, 1977

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 1977 Series 7 Bonds issued today in the aggregate principal amount of $145,450,000 (the Bonds) pursuant to the 1977 Series 7 Resolution adopted by the Corporation on March 18, 1977 and the Second General Bond Resolution (the Resolutions) as contemplated by the Corporation's Exchange Offer Official Statement dated March 22, 1977, and subsequent public announcements of the Corporation and its directions to you.

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,

[Signature]

Carter, Ledyard & Milburn

RGMcc:DG
CERTIFICATE OF EXCHANGE AGENT
AS TO RECEIPT OF CITY NOTES
TENDERED PURSUANT TO THE EXCHANGE
OFFER AND CERTAIN BONDS FOR DELIVERY IN EXCHANGE THEREFOR

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 as of March 22, 1977 in connection with the offer of the Corporation to exchange 1977 Series 7 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 March 22, 1977, hereby acknowledges receipt on behalf of the Corporation of City Notes in the aggregate principal amount of $145,450,000 tendered pursuant to the Exchange Offer and hereby 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. Receipt is hereby acknowledged 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 1977 Series 7 Resolution, adopted March 18, 1977, of 1977 Series 7 Bonds in definitive form in the aggregate principal amount of the City Notes set forth above for delivery pursuant to written order of the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of United States Trust Company of New York this 6th day of April, 1977.

[Signature]
Malcolm J. Hood, Vice President

(SEAL)

UNITED STATES TRUST COMPANY
OF NEW YORK, as Exchange Agent

ATTEST:

[Signature]
Assistant Secretary
CERTIFICATE OF THE MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
AS TO VARIOUS MATTERS

I, Stephen J. Weinstein, 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. 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 certificate delivered by me on behalf of the Corporation with respect to the delivery of the 1977 Series 7 Bonds of the Corporation (the "Bonds") and dated March 30, 1977, being certificate numbered 2 of this record of proceedings, is in all respects true and accurate as of the date hereof and I do hereby re-certify that the statements contained in the numbered paragraphs 2 through 4 and 6 through 14 therein are in all respects true and accurate as if made on the date hereof.
ORDER TO EXCHANGE AGENT
AS TO DELIVERY OF BONDS

April 6, 1977

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 1977 Series 7 Bonds of the Municipal Assistance Corporation for The City of New York (the "Corporation") in the aggregate principal amount of $145,450,000 (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 March 22, 1977.

As Exchange Agent acting under the Corporation's Irrevocable Letter of Instructions to Exchange Agent dated as of March 22, 1977, you are hereby authorized and directed to deliver the Bonds, together with the opinions of Bond Counsel addressed to the Corporation, to the appropriate persons in accordance with 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]
EXCHANGE OFFER

To Holders of Certain Short-Term Notes of The City of New York of up to $400,000,000

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

9 3/4% 1977 Series 7 Bonds Due July 1, 1992

BLUE SKY MEMORANDUM

April 6, 1977

Municipal Assistance Corporation
For The City of New York
2 World Trade Center
New York, New York 10048

Dear Sirs:

In connection with the offer by the Municipal Assistance Corporation For The City of New York (the "Corporation") to exchange with holders of certain revenue anticipation notes and bond anticipation notes of The City of New York (the "City Notes"), its 9 3/4% 1977 Series 7 Bonds due July 1, 1992 (the "1977 Series 7 Bonds") in an aggregate principal amount of up to $400,000,000, we have prepared the accompanying Blue Sky
Survey relating to the provisions of the securities or Blue Sky laws of the jurisdictions enumerated therein. The Survey is based upon an examination of such laws as reported in the latest unofficial compilations available to us and upon financial and other information furnished by officers of the Corporation or contained in the Official Statement dated March 22, 1977 (the "Official Statement"). The Survey covers solicitations of tenders of City Notes and exchanges of the 1977 Series 7 Bonds after issuance of the Official Statement dated March 22, 1977.

The Survey is based upon our opinion that the Corporation is a corporate governmental agency and instrumentality of the State of New York and upon the assumptions that the solicitations and exchanges have been made in accordance with the applicable statements contained in the Official Statement.

The Survey also is subject to the following qualifications:

(a) Although informal rulings from the securities commissions or other similar administrative bodies having jurisdiction have in some instances been obtained, such rulings do not in every case represent authoritative interpretations of the provisions in question. No opinions have been obtained from local counsel and we do not purport to be experts as to the laws of any state other than New York.

(b) Requirements relating to advertising matter published in any jurisdiction have not been considered.

(c) The conclusions set forth in the Survey are subject to the exercise of broad discretionary powers of the securities commissions or other similar administrative bodies having jurisdiction, including the power to withdraw exemptions or special classifications accorded by statute or regulation, to make specific requirements in respect of any offering of securities and to suspend or revoke at any time the registration or qualification of securities for offering in their respective jurisdictions.

Very truly yours,

Paul, Weiss, Rifkind, Wharton & Garrison

Paul, Weiss, Rifkind, Wharton & Garrison
BLUE SKY SURVEY

Exchange Offer

To Holders of Certain Short-Term Notes of The City of New York of up to $400,000,000

MUNICIPAL ASSISTANCE CORPORATION FOR THE CITY OF NEW YORK

9 3/4% 1977 Series 7 Bonds Due July 1, 1992

Solicitations and Exchanges with the Public by the Corporation

A. The Corporation, as the issuer of a security issued by a governmental instrumentality, without registration as a broker or dealer, except as indicated below, was permitted after issuance of the Official Statement to solicit tenders of City Notes from the public, and may exchange the 1977 Series 7 Bonds for the City Notes tendered by the public, without registration of the Bonds or other filings being made, except as indicated below, in the following jurisdictions:

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut (1)
Delaware
District of Columbia
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maryland
Massachusetts
Michigan
Minnesota
Mississippi (2) (3)
Missouri
Montana
Nebraska
Nevada
New Jersey
New Mexico
New York (4)
North Carolina
North Dakota (5)
Ohio (6)
Oklahoma
Oregon
Pennsylvania
Puerto Rico
Rhode Island (1) Vermont (5)
South Carolina Virginia
South Dakota Washington
Tennessee West Virginia
Texas Wisconsin
Utah Wyoming

B. The 1977 Series 7 Bonds are not exempt in the State of New Hampshire, but they have been qualified and approved for sale by the Securities Division.(5)

C. The Corporation is not permitted to solicit tenders of City Notes from the public and may not exchange the 1977 Series 7 Bonds for the City Notes tendered by the public in the State of Maine.(7)

(1) The Corporation is registered as a broker-dealer in this State.

(2) The Corporation filed an application for confirmation of exemption of the 1977 Series 7 Bonds, and a Certificate of Exemption of Securities for the 1977 Series 7 Bonds has been received.

(3) The Corporation has obtained an Occupation Certificate from this State.

(4) The Corporation filed an application for exemption from §359-e, subdivisions 2, 3, 4, 5 and 6 of the General Business Law of this State, and an exemption has been granted with respect to the 1977 Series 7 Bonds.

(5) The Corporation has obtained a no-action letter to the effect that it is not required to register as a broker-dealer in this State with respect to its offer to exchange its 1977 Series 7 Bonds.

(6) The Corporation has filed a statement to perfect the exemption of the 1977 Series 7 Bonds and written confirmation of the exemption to exchange up to $250,000,000 of the 1977 Series 7 Bonds in Ohio has been received. The Corporation has received oral confirmation from this State that no action will be taken if it does not register as a dealer in securities.

(7) The Corporation has applied to the Bank Superintendent of the State of Maine for registration as a Dealer in Securities. The application will be advertised as required by statute and a decision will be made by the Bureau of Banking no earlier than April 15, 1977.
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
February 28, 1977 of the Sales Tax
(p. 4) after deduction of cost of
administering, collecting and
distributing such tax was

   $ 931,065,725

2. The most recent collections for the 12
consecutive calendar months ended
February 28, 1977 of the Stock Transfer
Tax (p. 5) after deduction of cost of
administering, collecting and
distributing such tax was

   $ 282,578,060

3. The most recent collections for the
12 consecutive calendar months ended
February 28, 1977 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

$1,213,643,785
The total amount of $1,213,643,785 for the twelve (12) consecutive calendar months ended February 28, 1977 as set forth in Paragraph B above (taking into account, among other factors, those factors set forth in Paragraph E below), is approximately $50 million more than the revenues expected by me, taking into account the statement set forth in Paragraph D below, for the next succeeding twelve (12) consecutive calendar months from the Sales Tax and Stock Transfer Tax. Therefore, I estimate the amount to be collected in the next consecutive twelve (12) month period to be $1,163,643,785.

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 Stock Transfer Tax revenue or the possible outcome of the Boston Stock Exchange et. al. v. State Tax Commission et. al. 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 $1,163,643,785.

E. With respect to Sales Tax collections for the twelve (12) consecutive calendar months ended February 28, 1977, several factors occasioned a change in the pattern of revenue flow from the distribution of Sales Tax during the period should be noted. Such factors include the number of monthly sales periods included for such twelve month period occasioned by the requirement of monthly filing by certain large vendors for such twelve month period, an authorized method of monthly payments on a historical basis and distribution of Sales Tax on such basis.

Commencing March 1976 in addition to regular quarterly reporting, a monthly Sales Tax report and remittance is now required from certain large vendors, i.e. all vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters. As a result of the commencement of such monthly filing in March 1976, the twelve (12) consecutive period ended February 28, 1977 contains 14 months of Sales Tax collections from such large vendors. The 14 months of collections from such large vendors during such prior period is accounted for by the fact that, in addition to the normal quarterly return and remittance due in March 1976, required by such large vendors under prior law which reflected collections during December 1975, January 1976, and February 1976, a return estimating Sales Tax liability for the month of March 1976 was also required to be filed in such month. Accordingly, in the next twelve (12) consecutive calendar
months commencing March 1, 1977 will reflect only twelve (12) months of collections from such large vendors (and will not reflect collections during the preceding January and December due to monthly filing procedures). Additionally, as of March 1976, in making and filing such monthly report and remittance, such large vendors may estimate Sales Tax liability for certain months based upon historical experience rather than upon actual Sales Tax liability for such months. Moreover, commencing March 1976, Sales Tax distribution from remittances for certain months by such large vendors to the Special Tax Account of the corporation is made upon a historical rather than upon an actual basis. As a consequence, in order to reflect actual experience, adjustments to subsequent distributions to such Special Account will be required to be made from time to time during the twelve (12) consecutive calendar months commencing March 1, 1977. During the prior period a reduction of approximately $10.4 million was made to such Special Account to reflect over distribution to such Special Account. The statements herein do 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 5th day of April, 1977.

[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 DIRECTOR OF THE BUDGET OF THE STATE OF NEW YORK

I, Peter C. Goldmark, Jr., Director of the Budget of the State of New York, do HEREBY CERTIFY as follows:

The estimated amount of per capita aid payable to The City of New York pursuant to Section 54 of the State Finance Law, as amended, available to be apportioned and 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, 1978 is expected to be approximately $434,311,665.00.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of April, 1977.

______________________________
Director of the Budget 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
SEE DOCUMENT NO. 1

OF THIS TRANSCRIPT OF PROCEEDINGS
CERTIFICATE OF THE MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
AS TO VARIOUS MATTERS

I, Stephen J. Weinstein, 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. 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 certificate delivered by me on behalf of the Corporation with respect to the delivery of the 1977 Series 7 Bonds of the Corporation (the "Bonds") and dated March 30, 1977, being certificate numbered 2 of this record of proceedings, is in all respects true and accurate as of the date hereof and I do hereby re-certify that the statements contained in the numbered paragraphs 2 through 4 and 6 through 14 therein are in all respects true and accurate as if made on the date hereof.
3. The arbitrage certificate, the certificate required pursuant to Section 202 (3) and (4) of the Second General Bond Resolution, and the certificate as to publication, being certificates numbered 7, 20, and 24 of this record of proceedings, are in all respects true and accurate as of the date hereof and I do hereby re-certify every one of the statements made as if made on the date hereof.

4. 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.

5. The Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Second General Bond Resolution of the Corporation adopted November 25, 1975, the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977, or the General Bond Resolution of the Corporation adopted on July 2, 1975, each, as amended.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Corporation this 11th day of April, 1977.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Official Title</th>
<th>Term of Office Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Signature]</td>
<td>Secretary</td>
<td>Indefinite</td>
</tr>
</tbody>
</table>
I HEREBY CERTIFY that the signature of the officer of the Municipal Assistance Corporation For The City of New York, which appears above is true and genuine and that I know said officer and know him to hold said office set opposite his signature.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Name of Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vice President</td>
<td>United States Trust Company of New York</td>
</tr>
</tbody>
</table>
CERTIFICATE OF CHAIRMAN

I, FELIX ROHATYN, Chairman of the Municipal Assistance Corporation For The City of New York (the "Corporation") do hereby certify that the 1977 Series 7 Bonds of the Corporation (the "Bonds"), delivered on this day to the Exchange Agent as identified in the Official Statement of the Corporation dated March 22, 1977 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, and, that on the day of such signing, execution and adoption of the signature on the Bonds, I was and am now the duly chosen, qualified and acting officer of the Corporation authorized to execute the Bonds and the Chairman of such Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of April, 1977.

[Signature]

Chairman
SEE DOCUMENT NO. 3
OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 4

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 5

OF THIS TRANSCRIPT OF PROCEEDINGS
ORDER TO TRUSTEE AS TO DELIVERY AND
AUTHENTICATION OF BONDS

April 11, 1977

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, $101,875,000 principal amount of 1977 Series 7 Bonds, in definitive form (the "Bonds"), of the Municipal Assistance Corporation For The City of New York (the "Corporation") authorized pursuant to the Second General Bond Resolution adopted November 25, 1975, (herein called "General Resolution") and the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977, and to be delivered in connection with the Exchange Offer of the Corporation described in the Official Statement of the Corporation dated March 22, 1977.

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]

[Signature]
SEE DOCUMENT NO. 7

OF THIS TRANSCRIPT OF PROCEEDINGS
April 11, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

United States Trust Company
of New York, as Trustee under the Second
General Bond Resolution of, and as Exchange
Agent in connection with the Exchange Offer
of, the Municipal Assistance Corporation For
The City of New York, as described in the
Official Statement of such corporation dated
March 22, 1977

130 John Street
New York, New York 10038

Gentlemen:

We have delivered to you an opinion dated March 30,
1977, with respect to the issuance of not in excess of $983,825,000
aggregate principal amount of the 1977 Series 7 Bonds of the
Municipal Assistance Corporation For The City of New York, a
copy of which is annexed hereto. You are entitled to rely on
said opinion as if the same were dated the date hereof.

Very truly yours,

[Signature]

Paul, Weiss, Rifkind, Wharton & Garrison

Paul, Weiss, Rifkind, Wharton & Garrison
March 30, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

United States Trust Company
of New York, as Trustee under the Second
General Bond Resolution of, and as Exchange
Agent in connection with the Exchange Offer
(as described herein) of, the Municipal
Assistance Corporation For The City of New York
130 John Street
New York, New York 10038

Gentlemen:

We have been requested by our client, 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
not in excess of $983,825,000 aggregate principal amount of
the Corporation's 1977 Series 7 Bonds (the "Bonds") to persons
who properly tender 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 City Notes, its Bonds in an aggregate principal
amount equal to such aggregate principal amount of the
City Notes tendered thereunder, all as more fully described
in the Official Statement of the Corporation with respect to
the Bonds dated March 22, 1977 (the "Official Statement").

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, 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 1977 Series 7 Resolution, which was adopted by the Board on March 18, 1977, (the "Resolutions"), the Irrevocable Letter of Instructions to the Exchange Agent dated as of March 22, 1977 (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 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 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 may be limited by bankruptcy or similar laws validly enacted and applicable to the rights of holders of the 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, 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 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. 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 or similar laws validly enacted and applicable to the rights of holders of the Bonds. 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 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, such Resolutions is required.

9. 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.

10. During the preparation of the Official Statement, we participated in numerous conferences and conversations with officials of the Corporation and have relied upon certain information developed by them, particularly with regard to statements set forth in the Official Statement under the headings "Rights of the Noteholders -- Plan to Provide Repayment" and "Certain Developments Affecting the City", without having undertaken an independent examination or verification of such information. Further we are not in a position to
March 30, 1977

provide, and we hereby expressly disclaim, any commentary or assurances as to the adequacy or accuracy of the financial statements and other financial and statistical data contained in the Official Statement. Subject to the foregoing limitations, no information was disclosed to us in connection with the preparation of the Official Statement or in our conferences or conversations referred to above or otherwise which has caused us to believe that the Official Statement, as of the date thereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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,

[Signature]

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
April 11, 1977

Municipal Assistance Corporation
for The City of New York
Two World Trade Center
New York, New York

United States Trust Company
of New York, as Trustee
130 John Street
New York, New York 10038

Dear Sirs:

We have delivered to the Municipal Assistance Corporation for The City of New York our approving opinion with respect to the 1977 Series 7 Bonds of the Corporation in an aggregate principal amount of not in excess of $983,825,000 which opinion is dated March 30, 1977 and a copy of which is annexed hereto.

You are entitled to rely on said opinion as if the same were addressed to you and dated the date hereof.

Very truly yours,

[Signature]
Municipal Assistance Corporation

For the City of New York
New York, New York

March 30, 1977

Dear Sirs:

We have examined a record of proceedings relating to the issuance of not in excess of $983,825,000 aggregate principal amount of 1977 Series 7 Bonds (the “1977 Series 7 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 1977 Series 7 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 1977 Series 7 Resolution (the “Series Resolution”), adopted March 18, 1977. Said resolutions are herein collectively called the “Resolutions.”

The 1977 Series 7 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 General Bond Resolution or as may be limited by law. The 1977 Series 7 Bonds are being issued for the purpose of effecting an exchange of such 1977 Series 7 Bonds for an equal aggregate principal amount of certain short-term obligations of The City of New York (“The City”).

The Corporation is authorized to issue Bonds, in addition to the 1977 Series 7 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1977 Series 7 Bonds and with all other such Bonds (in an aggregate principal amount of $616,350,000) heretofore issued, be entitled 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 $298,500,000) subordinate thereto. The Bonds are not on a parity with such bonds. No such other obligations are currently outstanding.

The 1977 Series 7 Bonds are dated January 1, 1977 except as otherwise provided in the Resolutions with respect to fully registered 1977 Series 7 Bonds and will mature on July 1, 1992 and will bear interest from April 7, 1977, at the rate of nine and three-quarters per centum (9 3/4%) per annum, payable 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 1977 Series 7 Bonds according to the tenor and upon presentation and surrender of the coupons attached thereto as they respectively become due and payable.
The 1977 Series 7 Bonds are issued initially in fully registered form without coupons in denominations which are integral multiples of $5,000 or, under certain conditions, coupon form in the denomination of $5,000 registrable as to principal only, and thereafter either in such fully registered form in the denominations of $5,000 or integral multiples thereof or coupon form in the denomination of $5,000, registrable as to principal only. Coupon and fully registered 1977 Series 7 Bonds (in the aggregate principal amount of $5,000 or integral multiples thereof) are interchangeable as provided in the Resolutions. Coupon 1977 Series 7 Bonds are designated 7- and fully registered 1977 Series 7 Bonds are designated 7R-. Coupon 1977 Series 7 Bonds and fully registered 1977 Series 7 Bonds are numbered consecutively from one upward.

The 1977 Series 7 Bonds are subject to redemption at the election of the Corporation as a whole or in part, on or after July 1, 1980 on any interest payment date as provided in the Resolutions at the redemption prices (set forth as percentages of the principal amount thereof), plus accrued interest to the date of redemption, set forth below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102 1/2%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 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 determined by applying to the aggregate principal amount of 1977 Series 7 Bonds Outstanding as of the date or dates of original issue the percentages set forth below (provided that in each such year the amount to be so redeemed shall be equal to the next highest integral multiple of $5,000), 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 1977 Series 7 Bonds determined as hereinabove set forth:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>6.3502%</td>
</tr>
<tr>
<td>1984</td>
<td>6.9693</td>
</tr>
<tr>
<td>1985</td>
<td>7.6488</td>
</tr>
<tr>
<td>1986</td>
<td>8.3946</td>
</tr>
<tr>
<td>1987</td>
<td>9.2130</td>
</tr>
<tr>
<td>1988</td>
<td>10.1113</td>
</tr>
<tr>
<td>1989</td>
<td>11.0972</td>
</tr>
<tr>
<td>1990</td>
<td>12.1791</td>
</tr>
<tr>
<td>1991</td>
<td>13.3066</td>
</tr>
<tr>
<td>1992</td>
<td>14.6699</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 Con-
struction 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 1977 Series 7 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 1977 Series 7 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1977 Series 7 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 1977 Series 7 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 1977 Series 7 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 (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 amount so certified by the Chairman, as aforesaid.

6. The 1977 Series 7 Bonds do not constitute a debt either of the State or of The City, and neither the State nor The City shall be liable thereon, nor shall the 1977 Series 7 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) at least annually to 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 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 any lien on the per capita aid referred to hereinafore, the Stock Transfer Tax, 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 a creditor 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 creditor will not prevail in the court of final jurisdiction.

9. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, moneys on deposit in the Stock Transfer Tax Fund and the Tax Assistance 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 neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of State obligations or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections or the Sales Tax and the 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 or applied by the State Comptroller either for the payment of the State obligations or for deposit into such note repayment account. Per capita aid is, under existing law, derived from the General Fund of the State 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, or applied as aforesaid.

10. Under existing statutes and court decisions, interest on the 1977 Series 7 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 1977 Series 7 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1977 Series 7 Bonds, and the execution and delivery of the 1977 Series 7 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the form of the 1977 Series 7 Bond numbered 7R-1 and, in our opinion, the form of said Bond is regular and proper.

Very truly yours,

[Signature]

Hawk, Delafield & 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 public benefit corporation of the State of New York, under and pursuant to the Second General Bond Resolution adopted November 25, 1975, and the 1977 Series 7 Resolution adopted March 18, 1977, 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 and the order of the Corporation dated today, the Trustee has today authenticated and delivered $101,875,000 principal amount of 1977 Series 7 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 received from the Corporation copies of the Resolutions, certified to this day 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 11th day of April, 1977.

UNITED STATES TRUST COMPANY
OF NEW YORK

By
Andrew M. Massa
Assistant Vice President

(SEAL)

Attest:

Assistant Secretary
Excerpt of the BY-LAWS
of
UNITED STATES TRUST COMPANY OF NEW YORK

Dated January 25, 1977

ARTICLE VII
SIGNING AUTHORITIES.

Any officer except the Auditor shall have authority to sign checks on behalf of the Trust Company, to certify checks against funds on deposit with the Trust Company, and to endorse checks, drafts, notes and any orders payable to the Trust Company.

The Chairman, the President, a Vice Chairman 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 Trust Company or in its custody in any capacity and to execute deeds of real estate owned by the Trust Company or in its custody in any capacity.

The Chairman, the President, a Vice Chairman 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 Trust Company indentures and all other instruments under which the Trust Company is to act in a fiduciary capacity, or relating to the Trust Company's acting in a fiduciary capacity, and to execute on behalf of the Trust Company all contracts, releases, forms, assignments, security documents and agreements relating thereto.

The Chairman, the President, a Vice Chairman 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 Trust 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 Trust Company bonds, debentures and other evidences of indebtedness, coupons, certificates, warrants and proxies with respect to which the Trust 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 Trust Company. The President or a Vice Chairman 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 Trust 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 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 Trust Company and subject in each case to such conditions or limitations as the President or a Vice Chairman 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 stocks and bonds, and erasures in connection therewith, execute assignments or endorsements 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 Executive Committee may authorize the use of facsimile signatures on any instrument to be authenticated, executed, countersigned or certified on behalf of the Trust Company.
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 1977 Series 7 Bonds issued today in the aggregate principal amount of $101,875,000 (the Bonds) pursuant to the 1977 Series 7 Resolution adopted by the Corporation on March 18, 1977 and the Second General Bond Resolution (the Resolutions) as contemplated by the Corporation's Exchange Offer Official Statement dated March 22, 1977, and subsequent public announcements of the Corporation and its directions to you.

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.
Municipal Assistance Corporation
For The City of New York

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:DG
SEE DOCUMENT NO. 13
OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 14

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 15

OF THIS TRANSCRIPT OF PROCEEDINGS
CERTIFICATE OF EXCHANGE AGENT
AS TO RECEIPT OF CITY NOTES
TENDERED PURSUANT TO THE EXCHANGE
OFFER AND CERTAIN BONDS FOR DELIVERY IN EXCHANGE THEREFOR

I, Andrew M. Massa, a duly appointed and qualified Assistant 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 as of March 22, 1977 in connection with the offer of the Corporation to exchange 1977 Series 7 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 March 22, 1977, hereby acknowledges receipt on behalf of the Corporation of City Notes in the aggregate principal amount of $101,875,000 tendered pursuant to the Exchange Offer and hereby 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. Receipt is hereby acknowledged 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 1977 Series 7 Resolution, adopted March 18, 1977, of 1977 Series 7 Bonds in definitive form in the aggregate principal amount of the City Notes set forth above for delivery pursuant to written order of the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of United States Trust Company of New York this 11th day of April, 1977.

Andrew M. Massa, Assistant Vice President

(Seal)

ATTEST:

Assistant Secretary

UNITED STATES TRUST COMPANY
OF NEW YORK, as Exchange Agent
SEE DOCUMENT NO. 18

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 19

OF THIS TRANSCRIPT OF PROCEEDINGS
ORDER TO EXCHANGE AGENT
AS TO DELIVERY OF BONDS

April 11, 1977

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 1977 Series 7 Bonds of the Municipal Assistance Corporation for The City of New York (the "Corporation") in the aggregate principal amount of $101,875,000 (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 March 22, 1977.

As Exchange Agent acting under the Corporation's Irrevocable Letter of Instructions to Exchange Agent dated as of March 22, 1977, you are hereby authorized and directed to deliver the Bonds, together with the opinions of Bond Counsel addressed to the Corporation, to the appropriate persons in accordance with 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
February 28, 1977 of the Sales Tax
(p. 4) after deduction of cost of
administering, collecting and
distributing such tax was

$ 931,065,725

2. The most recent collections for the 12
consecutive calendar months ended
February 28, 1977 of the Stock Transfer
Tax (p. 5) after deduction of cost of
administering, collecting and
distributing such tax was

$ 282,578,060

3. The most recent collections for the
12 consecutive calendar months ended
February 28, 1977 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

$1,213,643,785
C. The total amount of $1,213,643,785 for the twelve (12) consecutive calendar months ended February 28, 1977 as set forth in Paragraph B above (taking into account, among other factors, those factors set forth in Paragraph E below), is approximately $50 million more than the revenues expected by me, taking into account the statement set forth in Paragraph D below, for the next succeeding twelve (12) consecutive calendar months from the Sales Tax and Stock Transfer Tax. Therefore, I estimate the amount to be collected in the next consecutive twelve (12) month period to be $1,163,643,785.

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 Stock Transfer Tax revenue or the possible outcome of the Boston Stock Exchange et. al. v. State Tax Commission et. al. 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 $1,163,643,785.

E. With respect to Sales Tax collections for the twelve (12) consecutive calendar months ended February 28, 1977, several factors which occasioned a change in the pattern of revenue flow from and distribution of Sales Tax during the period should be noted. Such factors include the number of monthly sales periods included for such twelve month period occasioned by the requirement of monthly filing by certain large vendors for such twelve month period, an authorized method of monthly payments on a historical basis and distribution of Sales Tax on such basis.

Commencing March 1976 in addition to regular quarterly reporting, a monthly Sales Tax report and remittance is now required from certain large vendors, i.e. all vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters. As a result of the commencement of such monthly filing in March 1976, the twelve (12) consecutive calendar month period ended February 28, 1977 contains 14 months of Sales Tax collections from such large vendors. The 14 months of collections from such large vendors during such prior period is accounted for by the fact that, in addition to the normal quarterly return and remittance due in March 1976, required by such large vendors under prior law which reflected collections during December 1975, January 1976, and February 1976, a return estimating Sales Tax liability for the month of March 1976 was also required to be filed in such month. Accordingly, in the next twelve (12) consecutive calendar
months commencing March 1, 1977 will reflect only twelve (12) months of collections from such large vendors (and will not reflect collections during the preceding January and December due to monthly filing procedures). Additionally, as of March 1976, in making and filing such monthly report and remittance, such large vendors may estimate Sales Tax liability for certain months based upon historical experience rather than upon actual Sales Tax liability for such months. Moreover, commencing March 1976, Sales Tax distribution from remittances for certain months by such large vendors to the Special Tax Account of the Corporation is made upon a historical rather than upon an actual basis. As a consequence, in order to reflect actual experience, adjustments to subsequent distributions to such Special Account will be required to be made from time to time during the twelve (12) consecutive calendar months commencing March 1, 1977. During the prior period a reduction of approximately $10.4 million was made to such Special Account to reflect over distribution to such Special Account. The statements herein do 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 11th day of April, 1977.

[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 DIRECTOR OF THE BUDGET OF THE STATE OF NEW YORK

I, Peter C. Goldmark, Jr., Director of the Budget of the State of New York, do HEREBY CERTIFY as follows:

The estimated amount of per capita aid payable to The City of New York pursuant to Section 54 of the State Finance Law, as amended, available to be apportioned and 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, 1978 is expected to be approximately $434,311,665.00.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of April, 1977.

[Signature]
Director of the Budget 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
SEE DOCUMENT NO. 1

OF THIS TRANSCRIPT OF PROCEEDINGS
CERTIFICATE OF THE MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
AS TO VARIOUS MATTERS

I, Stephen J. Weinstein, 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. 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 certificate delivered by me on behalf of the Corporation with respect to the delivery of the 1977 Series 7 Bonds of the Corporation (the "Bonds") and dated March 30, 1977, being certificate numbered 2 of this record of proceedings, is in all respects true and accurate as of the date hereof and I do hereby re-certify that the statements contained in the numbered paragraphs 2 through 4 and 6 through 14 therein are in all respects true and accurate as if made on the date hereof.
3. The arbitrage certificate, the certificate required pursuant to Section 202 (3) and (4) of the Second General Bond Resolution, and the certificate as to publication, being certificates numbered 7, 20, and 24 of this record of proceedings, are in all respects true and accurate as of the date hereof and I do hereby re-certify every one of the statements made as if made on the date hereof.

4. 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.

5. The Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Second General Bond Resolution of the Corporation adopted November 25, 1975, the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977, or the General Bond Resolution of the Corporation adopted on July 2, 1975, each, as amended.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Corporation this 14th day of April, 1977.

[Signature]
[Official Title]
[Term of Office Expires]
I HEREBY CERTIFY that the signature of the officer of the Municipal Assistance Corporation For The City of New York, which appears above is true and genuine and that I know said officer and know him to hold said office set opposite his signature.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Name of Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Signature]</td>
<td>Vice President</td>
<td>United States Trust Company of New York</td>
</tr>
</tbody>
</table>
CERTIFICATE OF CHAIRMAN

I, FELIX ROHATYN, Chairman of the Municipal Assistance Corporation For The City of New York (the "Corporation") DO HEREBY CERTIFY that the 1977 Series 7 Bonds of the Corporation (the "Bonds"), delivered on this day to the Exchange Agent as identified in the Official Statement of the Corporation dated March 22, 1977 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, and, that on the day of such signing, execution and adoption of the signature on the Bonds, I was and am now the duly chosen, qualified and acting officer of the Corporation authorized to execute the Bonds and the Chairman of such Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of April, 1977.

[Signature]

Chairman
See Document No. 3

Of this transcript of proceedings
SEE DOCUMENT NO. 4

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 5

OF THIS TRANSCRIPT OF PROCEEDINGS
ORDER TO TRUSTEE AS TO DELIVERY AND AUTHENTICATION OF BONDS

April 14, 1977

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, $121,275,000 principal amount of 1977 Series 7 Bonds, in definitive form (the "Bonds"), of the Municipal Assistance Corporation For The City of New York (the "Corporation") authorized pursuant to the Second General Bond Resolution adopted November 25, 1975, (herein called "General Resolution") and the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977, and to be delivered in connection with the Exchange Offer of the Corporation described in the Official Statement of the Corporation dated March 22, 1977.

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

[Signature]

By [Signature]
SEE DOCUMENT NO. 7
OF THIS TRANSCRIPT OF PROCEEDINGS
April 14, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

United States Trust Company
of New York, as Trustee under the Second
General Bond Resolution of, and as Exchange
Agent in connection with the Exchange Offer
of, the Municipal Assistance Corporation For
The City of New York, as described in the
Official Statement of such corporation dated
March 22, 1977

130 John Street
New York, New York 10038

Gentlemen:

We have delivered to you an opinion dated March 30,
1977, with respect to the issuance of not in excess of $983,825,000
aggregate principal amount of the 1977 Series 7 Bonds of the
Municipal Assistance Corporation For The City of New York, a
copy of which is annexed hereto. You are entitled to rely on
said opinion as if the same were dated the date hereof.

Very truly yours,

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
March 30, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

United States Trust Company
of New York, as Trustee under the Second
General Bond Resolution of, and as Exchange
Agent in connection with the Exchange Offer
(as described herein) of, the Municipal
Assistance Corporation For The City of New York
130 John Street
New York, New York 10038

Gentlemen:

We have been requested by our client, 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 not in excess of $983,825,000 aggregate principal amount of the Corporation's 1977 Series 7 Bonds (the "Bonds") to persons who properly tender 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 City Notes, its Bonds in an aggregate principal amount equal to such aggregate principal amount of the City Notes tendered thereunder, all as more fully described in the Official Statement of the Corporation with respect to the Bonds dated March 22, 1977 (the "Official Statement").

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, the By-laws of the Corporation and records of its corporate proceedings, including the Second General Bond Resolution, which was
March 30, 1977

adopted by the Board of Directors of the Corporation (the "Board"), on November 25, 1975, and the 1977 Series 7 Resolution, which was adopted by the Board on March 18, 1977, (the "Resolutions"), the Irrevocable Letter of Instructions to the Exchange Agent dated as of March 22, 1977 (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 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 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 may be limited by bankruptcy or similar laws validly enacted and applicable to the rights of holders of the 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.
March 30, 1977

6. Except as set forth in the Official Statement, to the best of our knowledge there is no action, suit, proceeding or investigation at law or in equity before or by any 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. 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 or similar laws validly enacted and applicable to the rights of holders of the Bonds. 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 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, such Resolutions is required.

9. 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.

10. During the preparation of the Official Statement, we participated in numerous conferences and conversations with officials of the Corporation and have relied upon certain information developed by them, particularly with regard to statements set forth in the Official Statement under the headings "Rights of the Noteholders -- Plan to Provide Repayment" and "Certain Developments Affecting the City", without having undertaken an independent examination or verification of such information. Further we are not in a position to
March 30, 1977

provide, and we hereby expressly disclaim, any commentary or assurances as to the adequacy or accuracy of the financial statements and other financial and statistical data contained in the Official Statement. Subject to the foregoing limitations, no information was disclosed to us in connection with the preparation of the Official Statement or in our conferences or conversations referred to above or otherwise which has caused us to believe that the Official Statement, as of the date thereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
April 14, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York

United States Trust Company
of New York, as Trustee
130 John Street
New York, New York 10038

Dear Sirs:

We have delivered to the Municipal Assistance Corporation For The City of New York our approving opinion with respect to the 1977 Series 7 Bonds of the Corporation in an aggregate principal amount of not in excess of $983,825,000 which opinion is dated March 30, 1977 and a copy of which is annexed hereto.

You are entitled to rely on said opinion as if the same were addressed to you and dated the date hereof.

Very truly yours,

[Signature]

[Address]

[Name]
Municipal Assistance Corporation
For The City of New York
New York, New York

March 30, 1977

Dear Sirs:

We have examined a record of proceedings relating to the issuance of not in excess of $983,825,000 aggregate principal amount of 1977 Series 7 Bonds (the "1977 Series 7 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 1977 Series 7 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 1977 Series 7 Resolution (the "Series Resolution"), adopted March 18, 1977. Said resolutions are herein collectively called the "Resolutions."

The 1977 Series 7 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 General Bond Resolution or as may be limited by law. The 1977 Series 7 Bonds are being issued for the purpose of effecting an exchange of such 1977 Series 7 Bonds for an equal aggregate principal amount of certain short-term obligations of The City of New York ("The City").

The Corporation is authorized to issue Bonds, in addition to the 1977 Series 7 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1977 Series 7 Bonds and with all other such Bonds (in an aggregate principal amount of $816,350,000) heretofore issued, be entitled 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 $298,500,000) subordinate thereto. The Bonds are not on a parity with such bonds. No such other obligations are currently outstanding.

The 1977 Series 7 Bonds are dated January 1, 1977 except as otherwise provided in the Resolutions with respect to fully registered 1977 Series 7 Bonds and will mature on July 1, 1992 and will bear interest from April 7, 1977, at the rate of nine and three-quarters per centum (9 3/4%) per annum, payable 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 1977 Series 7 Bonds according to the tenor and upon presentation and surrender of the coupons attached thereto as they respectively become due and payable.
The 1977 Series 7 Bonds are issued initially in fully registered form without coupons in denominations which are integral multiples of $5,000 or, under certain conditions, coupon form in the denomination of $5,000 registrable as to principal only, and thereafter either in such fully registered form in the denominations of $5,000 or integral multiples thereof or coupon form in the denomination of $5,000, registrable as to principal only. Coupon and fully registered 1977 Series 7 Bonds (in the aggregate principal amount of $5,000 or integral multiples thereof) are interchangeable as provided in the Resolutions. Coupon 1977 Series 7 Bonds are designated 7- and fully registered 1977 Series 7 Bonds are designated 7R-. Coupon 1977 Series 7 Bonds and fully registered 1977 Series 7 Bonds are numbered consecutively from one upward.

The 1977 Series 7 Bonds are subject to redemption at the election of the Corporation as a whole or in part, on or after July 1, 1980 on any interest payment date as provided in the Resolutions at the redemption prices (set forth as percentages of the principal amount thereof), plus accrued interest to the date of redemption, set forth below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102½%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101½</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100½</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 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 determined by applying to the aggregate principal amount of 1977 Series 7 Bonds Outstanding as of the date or dates of original issue the percentages set forth below (provided that in each such year the amount to be so redeemed shall be equal to the next highest integral multiple of $5,000), 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 1977 Series 7 Bonds determined as hereinabove set forth:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>6.3502%</td>
</tr>
<tr>
<td>1984</td>
<td>6.9693</td>
</tr>
<tr>
<td>1985</td>
<td>7.6488</td>
</tr>
<tr>
<td>1986</td>
<td>8.3946</td>
</tr>
<tr>
<td>1987</td>
<td>9.2130</td>
</tr>
<tr>
<td>1988</td>
<td>10.1113</td>
</tr>
<tr>
<td>1989</td>
<td>11.0072</td>
</tr>
<tr>
<td>1990</td>
<td>12.1791</td>
</tr>
<tr>
<td>1991</td>
<td>13.3866</td>
</tr>
<tr>
<td>1992</td>
<td>14.6699</td>
</tr>
</tbody>
</table>

Chapters 168, 169, 888 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 Con-
(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 hereinafore, the Stock Transfer Tax, 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 a creditor 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 creditor will not prevail in the court of final jurisdiction.

9. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, moneys on deposit in the Stock Transfer Tax Fund and the Tax Assistance 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 neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of State obligations or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special 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 or applied by the State Comptroller either for the payment of the State obligations or for deposit into such note repayment account. Per capita aid is, under existing law, derived from the General Fund of the State and hence, in the event of a failure to appropriate as above described, revenues of the State, otherwise payable into the General Fund and therefor available for appropriation as per capita aid will be subject to being set apart, or applied as aforesaid.

10. Under existing statutes and court decisions, interest on the 1977 Series 7 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 1977 Series 7 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1977 Series 7 Bonds, and the execution and delivery of the 1977 Series 7 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the form of the 1977 Series 7 Bond numbered 7R-1 and, in our opinion, the form of said Bond is regular and proper.

Very truly yours,

[Signature]

[Signature]
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 the 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 (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 amount so certified by the Chairman, as aforesaid.

6. The 1977 Series 7 Bonds do not constitute a debt either of the State or of The City, and neither the State nor The City shall be liable thereon, nor shall the 1977 Series 7 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) at least annually to 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 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;
struction 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 c 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 1977 Series 7 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 1977 Series 7 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bonds are valid and binding general obligations
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 public benefit corporation of the State of New York, under and pursuant to the Second General Bond Resolution adopted November 25, 1975, and the 1977 Series 7 Resolution adopted March 18, 1977, 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 and the order of the Corporation dated today, the Trustee has today authenticated and delivered $121,275,000 principal amount of 1977 Series 7 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 received from the Corporation copies of the Resolutions, certified to this day 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 14th day of April, 1977.

UNITED STATES TRUST COMPANY
OF NEW YORK

By
Irene R. Scocca
Assistant Vice President

(SEAL)

Attest:

Assistant Secretary
ARTICLE VII
SIGNING AUTHORITIES

Any officer except the Auditor shall have authority to sign checks on behalf of the Trust Company, to certify checks against funds on deposit with the Trust Company, and to endorse checks, drafts, notes and any orders payable to the Trust Company.

The Chairman, the President, a Vice Chairman 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 Trust Company or in its custody in any capacity and to execute deeds of real estate owned by the Trust Company or in its custody in any capacity.

The Chairman, the President, a Vice Chairman 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 Trust Company indentures and all other instruments under which the Trust Company is to act in a fiduciary capacity, or relating to the Trust Company’s acting in a fiduciary capacity, and to execute on behalf of the Trust Company all contracts, releases, forms, assignments, security documents and agreements relating thereto.

The Chairman, the President, a Vice Chairman 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 Trust 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 Trust Company bonds, debentures and other evidences of indebtedness, coupons, certificates, warrants and proxies with respect to which the Trust 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 Trust Company. The President or a Vice Chairman 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 Trust 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 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 Trust Company and subject in each case to such conditions or limitations as the President or a Vice Chairman 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 stocks and bonds, and erasures in connection therewith, execute assignments or endorsements 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 Executive Committee may authorize the use of facsimile signatures on any instrument to be authenticated, executed, countersigned or certified on behalf of the Trust Company.
CARTER, LEDYARD & MILBURN
COUNSELLORS AT LAW
2 WALL STREET
NEW YORK, N.Y. 10005

April 14, 1977

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 1977 Series 7 Bonds issued today in the aggregate principal amount of $121,275,000 (the Bonds) pursuant to the 1977 Series 7 Resolution adopted by the Corporation on March 18, 1977 and the Second General Bond Resolution (the Resolutions) as contemplated by the Corporation's Exchange Offer Official Statement dated March 22, 1977, and subsequent public announcements of the Corporation and its directions to the Trustee.

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,

[Signature]

RGM\[C:DG
SEE DOCUMENT NO. 13

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 14
OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 15

OF THIS TRANSCRIPT OF PROCEEDINGS
CERTIFICATE OF EXCHANGE AGENT
AS TO RECEIPT OF CITY NOTES
TENDERED PURSUANT TO THE EXCHANGE
OFFER AND CERTAIN BONDS FOR DELIVERY IN EXCHANGE THEREFOR

I, Irene R. Scocca, a duly appointed and qualified Assistant 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 as of March 22, 1977 in connection with the offer of the Corporation to exchange 1977 Series 7 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 March 22, 1977, hereby acknowledges receipt on behalf of the Corporation of City Notes in the aggregate principal amount of $121,275,000 tendered pursuant to the Exchange Offer and hereby 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. Receipt is hereby acknowledged 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 1977 Series 7 Resolution, adopted March 18, 1977, of 1977 Series 7 Bonds in definitive form in the aggregate principal amount of the City Notes set forth above for delivery pursuant to written order of the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of United States Trust Company of New York this 14th day of April, 1977.

[Signature]
Irene R. Scocca, Assistant Vice President

(Seal)

ATTEST:
[Signature]
Assistant Secretary

UNITED STATES TRUST COMPANY OF NEW YORK, as Exchange Agent
SEE DOCUMENT NO. 18

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 19

OF THIS TRANSCRIPT OF PROCEEDINGS
ORDER TO EXCHANGE AGENT
AS TO DELIVERY OF BONDS

April 14, 1977

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 1977 Series 7 Bonds of the Municipal Assistance Corporation for The City of New York (the "Corporation") in the aggregate principal amount of $121,275,000 (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 March 22, 1977.

As Exchange Agent acting under the Corporation's Irrevocable Letter of Instructions to Exchange Agent dated as of March 22, 1977, you are hereby authorized and directed to deliver the Bonds, together with the opinions of Bond Counsel addressed to the Corporation, to the appropriate persons in accordance with 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]
SEE DOCUMENT NO. 43

OF THIS TRANSCRIPT OF PROCEEDINGS
CERTIFICATE OF THE COMMISSIONER
OF TAXATION AND FINANCE

I, Joseph Valenti, Executive Deputy Commissioner of the Department of Taxation and Finance, having been appointed and designated as such Executive Deputy Commissioner by James H. Tully, Jr., Commissioner of Taxation and Finance, in accordance with the authority to act in his stead in the event of his absence as provided for in section 9 of the Public Officers Law of the State of New York, and such appointment and designation having been made by Resolution of such Commissioner, dated July 15, 1975, a true copy of such Resolution being attached hereto, and the aforesaid James H. Tully, Jr., Commissioner of Taxation and Finance, being presently absent, do HEREBY CERTIFY on behalf of such Commissioner of Taxation and Finance of the State of New York, 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 February 28, 1977 of the Sales Tax (p. 4) after deduction of cost of administering, collecting and distributing such tax was $931,065,725

2. The most recent collections for the 12 consecutive calendar months ended February 28, 1977 of the Stock Transfer Tax (p. 5) after deduction of cost of administering, collecting and distributing such tax was $282,578,060

3. The most recent collections for the 12 consecutive calendar months ended February 28, 1977 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 $1,213,643,785
C. The total amount of $1,213,643,785 for the twelve (12) consecutive calendar months ended February 28, 1977 as set forth in Paragraph B above (taking into account, among other factors, those factors set forth in Paragraph E below), is approximately $50 million more than the revenues expected by me, taking into account the statement set forth in Paragraph D below, for the next succeeding twelve (12) consecutive calendar months from the Sales Tax and Stock Transfer Tax. Therefore, I estimate the amount to be collected in the next consecutive twelve (12) month period to be $1,163,643,785.

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 Stock Transfer Tax revenue or the possible outcome of the Boston Stock Exchange et. al. v. State Tax Commission et. al. 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 $1,163,643,785.

E. With respect to Sales Tax collections for the twelve (12) consecutive calendar months ended February 28, 1977, several factors which occasioned a change in the pattern of revenue flow from and distribution of Sales Tax during the period should be noted. Such factors include the number of monthly sales periods included for such twelve month period occasioned by the requirement of monthly filing by certain large vendors for such twelve month period, an authorized method of monthly payments on a historical basis and distribution of Sales Tax on such basis.

Commencing March 1976 in addition to regular quarterly reporting, a monthly Sales Tax report and remittance is now required from certain large vendors, i.e. all vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters. As a result of the commencement of such monthly filing in March 1976, the twelve (12) consecutive calendar month period ended February 28, 1977 contains 14 months of Sales Tax collections from such large vendors. The 14 months of collections from such large vendors during such prior period is accounted for by the fact that, in addition to the normal quarterly return and remittance due in March 1976, required by such large vendors under prior law which reflected collections during December 1975, January 1976, and February 1976, a return estimating Sales Tax liability for the month of March 1976 was also required to be filed in such month.
Accordingly, in the next twelve (12) consecutive calendar months commencing March 1, 1977 will reflect only twelve (12) months of collections from such large vendors (and will not reflect collections during the preceding January and December due to monthly filing procedures). Additionally, as of March 1976, in making and filing such monthly report and remittance, such large vendors may estimate Sales Tax liability for certain months based upon historical experience rather than upon actual Sales Tax liability for such months. Moreover, commencing March 1976, Sales Tax distribution from remittances for certain months by such large vendors to the Special Tax Account of the Corporation is made upon a historical rather than upon an actual basis. As a consequence, in order to reflect actual experience, adjustments to subsequent distributions to such Special Account will be required to be made from time to time during the twelve (12) consecutive calendar months commencing March 1, 1977. During the prior period a reduction of approximately $10.4 million was made to such Special Account to reflect over distribution to such Special Account. The statements herein do 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 hereeto set my hand this 13th day of April, 1977.

[Signature]
Executive Deputy Commissioner on behalf of James H. Tully, Jr., Commissioner of Taxation and Finance

TO: United States Trust Company of New York as Trustee under the Resolution (as defined above).
STATE OF NEW YORK

DEPARTMENT OF TAXATION AND FINANCE

ALBANY, NEW YORK

Pursuant to the provisions of Section 9 of the Public Officers Law, I hereby designate JOSEPH VALENTI, Executive Deputy Commissioner of the Department of Taxation and Finance, as my First Deputy to act in case of my absence, my inability to act, or in case of a vacancy in my office, hereby revoking all other prior designations.

[Signature]
COMMISSIONER OF TAXATION AND FINANCE
AND
PRESIDENT, STATE TAX COMMISSION

Dated: Albany, New York
July 15, 1975

Dup. Orig.-Sec'y State
cc: Mr. Heckelman
    Mr. Halloran
    Mr. Valenti
    Miss Hatch
It is hereby certified that the foregoing is a true copy of a resolution adopted by Commissioner James H. Tully, Jr., as Commissioner of Taxation and Finance and President of the State Tax Commission under date of July 15, 1975, appointing JOSEPH VALENTI of this Department as First Deputy Commissioner of Taxation and Finance pursuant to the authority contained in Section 9 of the Public Officers Law, and that such designation continues to be and is at present in full force and effect.

PAUL GREENBERG
Secretary to the State Tax Commission

Dated: Albany, New York
April 12, 1977
CERTIFICATE OF THE DIRECTOR OF THE BUDGET OF THE STATE OF NEW YORK

I, Peter C. Goldmark, Jr., Director of the Budget of the State of New York, do HEREBY CERTIFY as follows:

The estimated amount of per capita aid payable to The City of New York pursuant to Section 54 of the State Finance Law, as amended, available to be apportioned and 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, 1978 is expected to be approximately $434,311,665.00.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of April, 1977.

______________________________
Director of the Budget 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
SEE DOCUMENT NO. 1
OF THIS TRANSCRIPT OF PROCEEDINGS
CERTIFICATE OF THE MUNICIPAL ASSISTANCE CORPORATION
FOR THE CITY OF NEW YORK
AS TO VARIOUS MATTERS

I, Stephen J. Weinstein, 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. 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 certificate delivered by me on behalf of the Corporation with respect to the delivery of the 1977 Series 7 Bonds of the Corporation (the "Bonds") and dated March 30, 1977, being certificate numbered 2 of this record of proceedings, is in all respects true and accurate as of the date hereof and I do hereby re-certify that the statements contained in the numbered paragraphs 2 through 4 and 6 through 14 therein are in all respects true and accurate as if made on the date hereof.
3. The arbitrage certificate and the certificate as to publication, being certificates numbered 7 and 20 of this record of proceedings, are in all respects true and accurate as of the date hereof and I do hereby re-certify every one of the statements made as if made on the date hereof.

4. 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.

5. The Corporation is not in default in the performance of any covenants, conditions, agreements or provisions contained in the Second General Bond Resolution of the Corporation adopted November 25, 1975, the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977, or the General Bond Resolution of the Corporation adopted on July 2, 1975, each, as amended.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the Corporation this 19th day of April, 1977.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Official Title</th>
<th>Term of Office Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Secretary</td>
<td>Indefinite</td>
</tr>
</tbody>
</table>
I HEREBY CERTIFY that the signature of the officer of the Municipal Assistance Corporation For The City of New York, which appears above is true and genuine and that I know said officer and know him to hold said office set opposite his signature.

Signature

[Signature]

Title

[Title]

Name of Bank

[Bank Name]
CERTIFICATE OF CHAIRMAN

I, FELIX ROHATYN, Chairman of the Municipal Assistance Corporation for the City of New York (the "Corporation") do hereby certify that the 1977 Series 7 Bonds of the Corporation (the "Bonds"), delivered on this day to the Exchange Agent as identified in the Official Statement of the Corporation dated March 22, 1977 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, and, that on the day of such signing, execution and adoption of the signature on the Bonds, I was and am now the duly chosen, qualified and acting officer of the Corporation authorized to execute the Bonds and the Chairman of such Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of April, 1977.

[Signature]
Chairman
SEE DOCUMENT NO. 3

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT No. 4

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 5

OF THIS TRANSCRIPT OF PROCEEDINGS
ORDER TO TRUSTEE AS TO DELIVERY AND
AUTHENTICATION OF BONDS

April 19, 1977

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, $24,450,000 principal amount of 1977 Series 7 Bonds, in definitive form (the "Bonds"), of the Municipal Assistance Corporation For The City of New York (the "Corporation") authorized pursuant to the Second General Bond Resolution adopted November 25, 1975, (herein called "General Resolution") and the 1977 Series 7 Resolution of the Corporation adopted March 18, 1977, and to be delivered in connection with the Exchange Offer of the Corporation described in the Official Statement of the Corporation dated March 22, 1977.

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

[Signature]

By: [Signature]
SEE DOCUMENT NO. 7

OF THIS TRANSCRIPT OF PROCEEDINGS
April 19, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

United States Trust Company
of New York, as Trustee under the Second
General Bond Resolution of, and as Exchange
Agent in connection with the Exchange Offer
of, the Municipal Assistance Corporation For
The City of New York, as described in the
Official Statement of such corporation dated
March 22, 1977

130 John Street
New York, New York 10038

Gentlemen:

We have delivered to you an opinion dated March 30,
1977, with respect to the issuance of not in excess of $983,825,000
aggregate principal amount of the 1977 Series 7 Bonds of the
Municipal Assistance Corporation For The City of New York, a
copy of which is annexed hereto. You are entitled to rely on
said opinion as if the same were dated the date hereof.

Very truly yours,

[Signature]
March 30, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York 10047

United States Trust Company
of New York, as Trustee under the Second
General Bond Resolution of, and as Exchange
Agent in connection with the Exchange Offer
(as described herein) of, the Municipal
Assistance Corporation For The City of New York
130 John Street
New York, New York 10038

Gentlemen:

We have been requested by our client, the Municipal Assistance Corporation For The City of New York, a corporate governmental agency and instrumentality of the State of New York constituted 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 not in excess of $983,825,000 aggregate principal amount of the Corporation's 1977 Series 7 Bonds (the "Bonds") to persons who properly tender 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 City Notes, its Bonds in an aggregate principal amount equal to such aggregate principal amount of the City Notes tendered thereunder, all as more fully described in the Official Statement of the Corporation with respect to the Bonds dated March 22, 1977 (the "Official Statement").

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, the By-laws of the Corporation and records of its corporate proceedings, including the Second General Bond Resolution, which was
March 30, 1977

adopted by the Board of Directors of the Corporation (the "Board"), on November 25, 1975, and the 1977 Series 7 Resolution, which was adopted by the Board on March 18, 1977, (the "Resolutions"), the Irrevocable Letter of Instructions to the Exchange Agent dated as of March 22, 1977 (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 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 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 may be limited by bankruptcy or similar laws validly enacted and applicable to the rights of holders of the 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.
March 30, 1977

6. Except as set forth in the Official Statement, to the best of our knowledge there is no action, suit, proceeding or investigation at law or in equity before or by any 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. 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 or similar laws validly enacted and applicable to the rights of holders of the Bonds. 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 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, such Resolutions is required.

9. 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.

10. During the preparation of the Official Statement, we participated in numerous conferences and conversations with officials of the Corporation and have relied upon certain information developed by them, particularly with regard to statements set forth in the Official Statement under the headings "Rights of the Noteholders --- Plan to Provide Repayment" and "Certain Developments Affecting the City", without having undertaken an independent examination or verification of such information. Further we are not in a position to
March 30, 1977

provide, and we hereby expressly disclaim, any commentary or assurances as to the adequacy or accuracy of the financial statements and other financial and statistical data contained in the Official Statement. Subject to the foregoing limitations, no information was disclosed to us in connection with the preparation of the Official Statement or in our conversations or conferences referred to above or otherwise which has caused us to believe that the Official Statement, as of the date thereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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,

[Signature]

PAUL, WEISS, RIFKIND, WHARTON & GARRISON
April 19, 1977

Municipal Assistance Corporation
For The City of New York
Two World Trade Center
New York, New York

United States Trust Company
of New York, as Trustee
130 John Street
New York, New York 10038

Dear Sirs:

We have delivered to the Municipal Assistance Corporation For The City of New York our approving opinion with respect to the 1977 Series 7 Bonds of the Corporation in an aggregate principal amount of not in excess of $983,825,000 which opinion is dated March 30, 1977 and a copy of which is annexed hereto.

You are entitled to rely on said opinion as if the same were addressed to you and dated the date hereof.

Very truly yours,

[Signature]

Hawkins, Delafeld & Wood
67 Wall Street, New York 10005
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 not in excess of $983,825,000 aggregate principal amount of 1977 Series 7 Bonds (the "1977 Series 7 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 1977 Series 7 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 1977 Series 7 Resolution (the "Series Resolution"), adopted March 18, 1977. Said resolutions are herein collectively called the "Resolutions."

The 1977 Series 7 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 General Bond Resolution or as may be limited by law. The 1977 Series 7 Bonds are being issued for the purpose of effecting an exchange of such 1977 Series 7 Bonds for an equal aggregate principal amount of certain short-term obligations of The City of New York ("The City").

The Corporation is authorized to issue Bonds, in addition to the 1977 Series 7 Bonds, only upon the terms and conditions set forth in the Second General Bond Resolution and such Bonds, when issued, shall with the 1977 Series 7 Bonds and with all other such Bonds (in an aggregate principal amount of $616,350,000) heretofore issued, be entitled 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 $298,500,000) subordinate thereto. The Bonds are not on a parity with such bonds. No such other obligations are currently outstanding.

The 1977 Series 7 Bonds are dated January 1, 1977 except as otherwise provided in the Resolutions with respect to fully registered 1977 Series 7 Bonds and will mature on July 1, 1992 and will bear interest from April 7, 1977, at the rate of nine and three-quarters per centum (9 3/4%) per annum, payable 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 1977 Series 7 Bonds according to the tenor and upon presentation and surrender of the coupons attached thereto as they respectively become due and payable.
The 1977 Series 7 Bonds are issued initially in fully registered form without coupons in denominations which are integral multiples of $5,000 or, under certain conditions, coupon form in the denomination of $5,000 registrable as to principal only, and thereafter either in such fully registered form in the denominations of $5,000 or integral multiples thereof or coupon form in the denomination of $5,000, registrable as to principal only. Coupon and fully registered 1977 Series 7 Bonds (in the aggregate principal amount of $5,000 or integral multiples thereof) are interchangeable as provided in the Resolutions. Coupon 1977 Series 7 Bonds are designated 7- and fully registered 1977 Series 7 Bonds are designated 7R- . Coupon 1977 Series 7 Bonds and fully registered 1977 Series 7 Bonds are numbered consecutively from one upward.

The 1977 Series 7 Bonds are subject to redemption at the election of the Corporation as a whole or in part, on or after July 1, 1980 on any interest payment date as provided in the Resolutions at the redemption prices (set forth as percentages of the principal amount thereof), plus accrued interest to the date of redemption, set forth below:

<table>
<thead>
<tr>
<th>Redemption Dates</th>
<th>Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1980 and January 1, 1981</td>
<td>102 1/2%</td>
</tr>
<tr>
<td>July 1, 1981 and January 1, 1982</td>
<td>102</td>
</tr>
<tr>
<td>July 1, 1982 and January 1, 1983</td>
<td>101 1/2</td>
</tr>
<tr>
<td>July 1, 1983 and January 1, 1984</td>
<td>101</td>
</tr>
<tr>
<td>July 1, 1984 and January 1, 1985</td>
<td>100 1/2</td>
</tr>
<tr>
<td>July 1, 1985 and any interest payment date thereafter</td>
<td>100</td>
</tr>
</tbody>
</table>

Additionally, the 1977 Series 7 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 determined by applying to the aggregate principal amount of 1977 Series 7 Bonds Outstanding as of the date or dates of original issue the percentages set forth below (provided that in each such year the amount to be so redeemed shall be equal to the next highest integral multiple of $5,000), 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 1977 Series 7 Bonds determined as hereinabove set forth:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>6.3502%</td>
</tr>
<tr>
<td>1984</td>
<td>6.9693</td>
</tr>
<tr>
<td>1985</td>
<td>7.6485</td>
</tr>
<tr>
<td>1986</td>
<td>8.3846</td>
</tr>
<tr>
<td>1987</td>
<td>9.2130</td>
</tr>
<tr>
<td>1988</td>
<td>10.1113</td>
</tr>
<tr>
<td>1989</td>
<td>11.0972</td>
</tr>
<tr>
<td>1990</td>
<td>12.1791</td>
</tr>
<tr>
<td>1991</td>
<td>13.3666</td>
</tr>
<tr>
<td>1992</td>
<td>14.6699</td>
</tr>
</tbody>
</table>

Chapters 168, 169, 888 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: (1) any amounts required to be paid to the City University Construction Fund pursuant to the City University Con-
(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 hereinafter, the Stock Transfer Tax, 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 a creditor 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 creditor will not prevail in the court of final jurisdiction.

9. Under existing law, upon any failure of the State Legislature to make required appropriations for State debt obligations or upon the establishment of a note repayment account pursuant to Section 55 of the State Finance Law, moneys on deposit in the Stock Transfer Tax Fund and the Tax Assistance 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 neither Article 7, Section 16 of the State Constitution nor said Section 55 authorizes or mandates such moneys to be set apart by the State Comptroller either for the payment of State obligations or for deposit into such note repayment account. We are further of the opinion that, under existing law, collections of the Sales Tax and the Stock Transfer Tax which are to be deposited into the Special 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 or applied by the State Comptroller either for the payment of the State obligations or for deposit into such note repayment account. Per capita aid is, under existing law, derived from the General Fund of the State 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, or applied as aforesaid.

10. Under existing statutes and court decisions, interest on the 1977 Series 7 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 1977 Series 7 Bonds.

12. The adoption and performance of, and compliance with, all of the terms and conditions of the Resolutions and the 1977 Series 7 Bonds, and the execution and delivery of the 1977 Series 7 Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law.

We have examined the form of the 1977 Series 7 Bond numbered 7R-1 and, in our opinion, the form of said Bond is regular and proper.

Very truly yours,

[Signature]

[Signature]
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, or 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 appropiation
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 (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 amount so certified by
the Chairman, as aforesaid.

6. The 1977 Series 7 Bonds do not constitute a debt either of the State or of The City, and neither
the State nor The City shall be liable thereon, nor shall the 1977 Series 7 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 pro-
visions of the Constitution of the State:

(a) at least annually to 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 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;
struction 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 c 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 1977 Series 7 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 1977 Series 7 Bonds thereunder, and to perform the obligations and covenants contained in the Resolutions and the 1977 Series 7 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 1977 Series 7 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 1977 Series 7 Bonds are valid and binding general obligations
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 public benefit corporation of the State of New York, under and pursuant to the Second General Bond Resolution adopted November 25, 1975, and the 1977 Series 7 Resolution adopted March 18, 1977, 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 and the order of the Corporation dated today, the Trustee has today authenticated and delivered $24,450,000 principal amount of 1977 Series 7 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 received from the Corporation copies of the Resolutions, certified to this day 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 19th day of April, 1977.

UNITED STATES TRUST COMPANY OF NEW YORK

By
Malcolm J. Hood
Vice President

(SEAL)

Attest:

Assistant Secretary
Excerpt of the BY-LAWS
of
UNITED STATES TRUST COMPANY OF NEW YORK

Dated January 25, 1977

ARTICLE VII
SIGNING AUTHORITIES

Any officer except the Auditor shall have authority to sign checks on behalf of the Trust Company, to certify checks against funds on deposit with the Trust Company, and to endorse checks, drafts, notes and any orders payable to the Trust Company.

The Chairman, the President, a Vice Chairman 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 Trust Company or in its custody in any capacity and to execute deeds of real estate owned by the Trust Company or in its custody in any capacity.

The Chairman, the President, a Vice Chairman 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 Trust Company indentures and all other instruments under which the Trust Company is to act in a fiduciary capacity, or relating to the Trust Company's acting in a fiduciary capacity, and to execute on behalf of the Trust Company all contracts, releases, forms, assignments, security documents and agreements relating thereto.

The Chairman, the President, a Vice Chairman 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 Trust 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 Trust Company bonds, debentures and other evidences of indebtedness, coupons, certificates, warrants and proxies with respect to which the Trust 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 Trust Company. The President or a Vice Chairman 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 Trust 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 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 Trust Company and subject in each case to such conditions or limitations as the President or a Vice Chairman 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 stocks and bonds, and erasures in connection therewith, execute assignments or endorsements 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 Executive Committee may authorize the use of facsimile signatures on any instrument to be authenticated, executed, countersigned or certified on behalf of the Trust Company.
April 19, 1977

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 1977 Series 7 Bonds issued today in the aggregate principal amount of $24,450,000 (the Bonds) pursuant to the 1977 Series 7 Resolution adopted by the Corporation on March 18, 1977 and the Second General Bond Resolution (the Resolutions) as contemplated by the Corporation's Exchange Offer Official Statement dated March 22, 1977, and subsequent public announcements of the Corporation and its directions to the Trustee.

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,

Caitler, Redyard & Milburn

RGMcc:DG
SEE DOCUMENT NO. 13
OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 14

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 15

OF THIS TRANSCRIPT OF PROCEEDINGS
CERTIFICATE OF EXCHANGE AGENT
AS TO RECEIPT OF CITY NOTES
TENDERED PURSUANT TO THE EXCHANGE
OFFER AND CERTAIN BONDS FOR DELIVERY IN EXCHANGE THEREFOR

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 as of March 22, 1977 in connection with the offer of the Corporation to exchange 1977 Series 7 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 March 22, 1977, hereby acknowledges receipt on behalf of the Corporation of City Notes in the aggregate principal amount of $24,450,000 tendered pursuant to the Exchange Offer and hereby 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. Receipt is hereby acknowledged 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 1977 Series 7 Resolution, adopted March 18, 1977, of 1977 Series 7 Bonds in definitive form in the aggregate principal amount of the City Notes set forth above for delivery pursuant to written order of the Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of United States Trust Company of New York this 19th day of April, 1977.

Malcolm J. Hood
Vice President

UNITED STATES TRUST COMPANY
OF NEW YORK, as Exchange Agent

(SEAL)

ATTEST:

Assistant Secretary
SEE DOCUMENT NO. 18

OF THIS TRANSCRIPT OF PROCEEDINGS
SEE DOCUMENT NO. 19

OF THIS TRANSCRIPT OF PROCEEDINGS
ORDER TO EXCHANGE AGENT
AS TO DELIVERY OF BONDS

April 19, 1977

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 1977 Series 7 Bonds of the Municipal Assistance Corporation for The City of New York (the "Corporation") in the aggregate principal amount of $24,450,000 (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 March 22, 1977.

As Exchange Agent acting under the Corporation's Irrevocable Letter of Instructions to Exchange Agent dated as of March 22, 1977, you are hereby authorized and directed to deliver the Bonds, together with the opinions of Bond Counsel addressed to the Corporation, to the appropriate persons in accordance with 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]

[Signature]
SEE DOCUMENT NO. 43

OF THIS TRANSCRIPT OF PROCEEDINGS
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
March 31, 1977 of the Sales Tax
(p. 4) after deduction of cost of
administering, collecting and
distributing such tax was

$ 842,259,164

2. The most recent collections for the 12
consecutive calendar months ended
March 31, 1977 of the Stock Transfer
Tax (p. 5) after deduction of cost of
administering, collecting and
distributing such tax was

$ 275,713,052

3. The most recent collections for the
12 consecutive calendar months ended
March 31, 1977 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

$1,117,972,216
C. The total amount of $1,117,972,216 for the twelve (12) consecutive calendar months ended March 31, 1977 as set forth in Paragraph B above (taking into account, among other factors, those factors set forth in Paragraph E below), is less than the revenues expected by me, taking into account the statement set forth in Paragraph D below, for the next succeeding twelve (12) consecutive calendar months from the Sales Tax and Stock Transfer Tax.

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 Stock Transfer Tax revenue or the possible outcome of the Boston Stock Exchange et. al. v. State Tax Commission et. al. 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 $1,117,972,216.

E. With respect to Sales Tax Collections for the twelve (12) consecutive calendar months ended March 31, 1977, several factors which occasioned a change in the pattern of revenue flow from and distribution of Sales Tax during the period should be noted. Such factors include the requirement of monthly filing by certain large vendors, an authorized method of monthly payments on a historical basis and distribution of Sales Tax on such basis.

Commencing March 1976, in addition to regular quarterly reporting, a monthly Sales Tax report and remittance is now required from certain large vendors, i.e. all vendors with taxable receipts of $300,000 or more in any quarter of the preceding four quarters. In making and filing such monthly report, such vendors may estimate Sales Tax liability for certain months based upon historical experience rather than upon actual Sales Tax liability for such months. Additionally, as of March 1976, such vendors are now required to make and file returns of estimated tax for the calendar month of March with or as part of the quarterly return due in such month.
Moreover, commencing March 1976, Sales Tax distribution from remittances for certain months by such large vendors to the Special Tax Account of the Corporation is made upon an historical rather than upon an actual basis.

As a consequence of the foregoing factors, in addition to vendor and processing errors, in order to reflect actual experience, adjustments to subsequent distributions to such Special Tax Account will be required to be made during the twelve (12) consecutive calendar month period commencing April 1, 1977. During the twelve (12) consecutive calendar month period ended March 31, 1977 a reduction of approximately $21.5 million was made to such Special Tax Account. The amount of $11.2 million of such reduction was due to errors in vendor reporting and processing of vendor returns which ordinarily occur and the procedure of distribution of Sales Tax to such Special Tax Account upon an estimate based upon historical experience; in addition to the aforementioned, approximately $10.3 million of such reduction resulted from a non-recurring processing error. The statements herein do 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 19th day of April, 1977.

[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 DIRECTOR OF THE BUDGET OF THE STATE OF NEW YORK

I, Peter C. Goldmark, Jr., Director of the Budget of the State of New York, do HEREBY CERTIFY as follows:

The estimated amount of per capita aid payable to The City of New York pursuant to Section 54 of the State Finance Law, as amended, available to be apportioned and 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, 1978 is expected to be approximately $434,311,665.00.

IN WITNESS WHEREOF, I have hereunto set my hand this 19th day of April, 1977.

[Signature]
Director of the Budget 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 FIRST DEPUTY COMPTROLLER
OF THE CITY OF NEW YORK

I, MARTIN IVES, First Deputy Comptroller of The City of New York, do HEREBY CERTIFY as follows:

1. I have reviewed the information contained in the Official Statement (the "Official Statement"), dated March 22, 1977, of the Municipal Assistance Corporation For The City of New York (the "Corporation") under the section captioned "Certain Developments Affecting the City." Certain of such information, which is referred to in the paragraphs numbered 2 through 6 of this certificate, represents certain information contained in official reports, statements or other documents made public by the Office of the Comptroller of The City of New York (the "City"). Reference should be made to such official reports, statements or other documents for a more complete explanation of such information.

2. The information set forth in such section to the effect that the City has an accumulated deficit for fiscal years prior to 1976 which has been financed by a variety of sources, including the issuance of debt of the City and of the Corporation, including certain short-term obligations of the City, is true and accurate.

3. In such section under the subheading "Actions Taken to Date" the information set forth to the effect that the City Comptroller reported an actual Expense Budget deficit of $968 million for the 1976 fiscal year is true and accurate. This figure represents the best estimate of the deficit for such fiscal year within
the current capability of the City's accounting system and may be subject to material revision as noted in the "Notes to Financial Statements" as shown in the Annual Report of the Comptroller of The City of New York for fiscal year 1976. In addition, this figure does not reflect the additional pension accruals which were estimated by the City Actuary to be $200 million for such fiscal years. Thus, pursuant to generally accepted accounting principles, the total deficit for such fiscal year would be $1,168 million.

4. The information set forth in such section under the subheading "Actions Taken to Date" to the effect that there has been a reduction of 48,843 in the number of City employees from June 30, 1975 to January 31, 1977 and that the Health and Hospitals Corporation and the Transit Authority have also reported decreases in employees is true and accurate.

5. The information set forth in such section in paragraph number 9 under the subheading "Actions Taken to Date" with respect to the implementation of the City's integrated financial management system is true and accurate.

6. The information set forth in such section under the subheading "Cash Sources" with respect to cash heretofore obtained from and cash projected to be obtained from certain pension funds, the Federal Government and the State and with respect to projected
CERTIFICATE OF THE FIRST DEPUTY COMPTROLLER
OF THE CITY OF NEW YORK
Page Three

closing cash balances for the 1976-77 and 1977-78 fiscal years,
is true and accurate.

IN WITNESS WHEREOF, I have hereunto set my hand this
8 day of April, 1977.

[Signature]

First Deputy Comptroller
of The City of New York
CERTIFICATE OF THE DEPUTY MAYOR FOR 
FINANCE OF THE CITY OF NEW YORK

I, JOHN C. BURTON, Deputy Mayor for Finance of The City of New York,
do HEREBY CERTIFY as follows:

1. I have reviewed the information contained in the Official Statement,
dated March 22, 1977, of the Municipal Assistance Corporation For the City of New
York (the "Official Statement") under the section captioned "Certain Developments
Affecting the City" and certain other sections hereinafter referred to. Certain
of such information, which is referred to in the paragraphs numbered 2 through 7
of this certificate, represents certain information contained in the official
reports, statements or other documents made public by the Office of the Mayor of
The City of New York (the "City"). Reference should be made to such official
reports, statements or other documents for a more complete explanation of such
information.

2. The information set forth in such section under the subheading
"Certain Assumptions," describing the assumptions upon which the City Plan
(as defined in the Official Statement) is based, and the information set forth
in the unnumbered paragraph under such subheading on page 42 of the Official
Statement respecting certain expense items is a fair presentation and does not
omit to state any material fact necessary to make such information not misleading.
3. The following information set forth in such section under the subheading "Actions Taken to Date" reflected the City's best information at that date:

   (i) the City's forecast of a $606 million deficit for the 1977 fiscal year is $362 million lower than the report deficit for the 1976 fiscal year and $80 million lower than the deficit previously projected for the 1977 fiscal year in the City Plan;

   (ii) the $606 million deficit for the 1977 fiscal year includes a general reserve of $168 million, an increase of $68 million during the fiscal year; and

   (iii) the City has stated that it will implement measures by July 1, 1977 necessary to achieve a balanced Expense Budget for the 1978 fiscal year.

4. The information set forth under such subheading to the effect that the $968 million deficit for the 1976 fiscal years, reported by the City Comptroller, is $83 million less than the deficit projected in the City Plan represents, to the best of my knowledge, a fair presentation in all material respects of the 1976 deficit, subject to the discussion of expense items in the capital budget on page 42 of the Official Statement and to the qualification contained in the following paragraph, set forth in the certification of the First Deputy Comptroller, dated April 18, 1977:
"In such section under the subheading "Actions Taken to Date" the information set forth to the effect that the City Comptroller reported an actual Expense Budget deficit of $968 million for the 1976 fiscal year is true and accurate. This figure represents the best estimate of the deficiency such fiscal year within the current capability of the City's accounting system and may be subject to material revision as noted in the "Notes to Financial Statements" as shown in the Annual Report of the Comptroller of The City of New York for fiscal year 1976. In addition, this figure does not reflect the additional pension accruals which were estimated by the City Actuary to be $200 million for such fiscal year. Thus, pursuant to generally accepted accounting principles, the total deficit for such fiscal year would be $1,168 million."

5. The information set forth in such section under the subheading "Action Taken to Date" respecting the memoranda of interim understanding entered into by the City and certain labor unions, the costs of court functions, the increases in fares for public transportation, the imposition of tuition at the City University of New York, the enactment and repeal of certain State tax legislation, the changes in personnel or positions of Deputy Mayors and the Budget Director and the implementation of the City's integrated financial management system is a fair presentation and does not omit to state any material fact necessary to make the statements therein not misleading.

6. The information contained in the Official Statement under the headings "Certain Developments Affecting the City--Expiration of Plan" and "Rights of the Noteholders--Plan to Provide for Repayment" is a fair presentation in all material respects and does not omit to state any material fact necessary to make the statements therein not misleading.
7. The information contained in the Official Statement under the heading "Various Control Programs--Conditions to Payments by the Corporation" to the effect that 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 and subject to the discussion contained in the unnumbered paragraph and paragraph one of page 42 of the Official Statement is a fair presentation and does not omit to state any material fact necessary to make the statements therein not misleading.

IN WITNESS WHEREOF, I have hereunto set my hand this 1977 day of April, 1977.

[Signature]
Deputy Mayor for Finance of 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, STEPHEN WEINSTEIN, 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 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 $714,092,863.

(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 up to an aggregate
principal amount of $983,825,000 of the 1977 Series 7 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>$ 55,490,905</td>
</tr>
<tr>
<td>1978</td>
<td>131,625,888</td>
</tr>
<tr>
<td>1979</td>
<td>175,134,137</td>
</tr>
<tr>
<td>1980</td>
<td>175,132,137</td>
</tr>
<tr>
<td>1981</td>
<td>175,126,137</td>
</tr>
<tr>
<td>1982</td>
<td>175,131,337</td>
</tr>
<tr>
<td>1983</td>
<td>185,441,738</td>
</tr>
<tr>
<td>1984</td>
<td>244,868,281</td>
</tr>
<tr>
<td>1985</td>
<td>244,579,637</td>
</tr>
<tr>
<td>1986</td>
<td>244,247,569</td>
</tr>
<tr>
<td>1987</td>
<td>243,785,225</td>
</tr>
<tr>
<td>1988</td>
<td>176,936,263</td>
</tr>
<tr>
<td>1989</td>
<td>176,511,912</td>
</tr>
<tr>
<td>1990</td>
<td>176,037,338</td>
</tr>
<tr>
<td>1991</td>
<td>175,515,544</td>
</tr>
<tr>
<td>1992</td>
<td>174,896,806</td>
</tr>
<tr>
<td>1993</td>
<td>151,339,869</td>
</tr>
</tbody>
</table>

(c) The aggregate estimated amount of Operating
Expenses for the current Fiscal Year is $12,000,000.

3. The aggregate of (i) the amount set forth in the
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. 107, as representing the Sales
Tax and the Stock Transfer Tax, and (ii) the amount set forth
in the certificate of the Director of the Budget of the State
of New York, a copy of which is attached to this Transcript of
Proceedings as document No. 108, as representing the estimated
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 in 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 19th day of April, 1977.

[Signature]

Stephen Weinstein, Secretary

[SEAL]